INDIVIDUAL INCOME TAX

Revenue Description

The tax is levied against taxable income, which is defined as Montana personal income adjusted for exemptions and deductions. Once tax liability is determined, the amount of tax due is computed by subtracting allowable credits.

Applicable Tax Rate(s)

Tax rates vary from 2.0% to 11.0%, depending on the level of taxable income. Tax brackets, personal exemption amounts, and the standard deduction are adjusted by the rate of inflation in each year.

Distribution

All proceeds are deposited into the general fund.

Summary of Legislative Action

The narrative and Table 1 summarize the legislation passed by the 56th Legislature that impacts individual income tax collections.

late filed tax returns, reports, or statements; and 2) provides uniform provisions for assessing penalty and interest for delinquent taxes and fees. It is expected that interest on income tax and other tax liability will increase general fund receipts by $19,406 in fiscal 2000 and by $155,250 in fiscal 2001.

SB 424 – Beginning in tax year 1999, SB424 expands the household income threshold for eligibility for the elderly homeowner and renter property tax credit. SB424: 1) phases out the credit for claimants whose income is $35,000 or more; and 2) provides that the credit may not be claimed by a person whose household income is $45,000 or more. Gross household income may exclude the sale of a capital asset. Income tax collections are expected to be reduced by $69,000 in each year of the 2001 biennium.

HB 638 – Beginning in tax year 1999, HB638 provides an income and corporation tax credit for increases in qualified research expense and basic research payments for research conducted in Montana. The credit is determined in accordance with section 41 of the Internal Revenue Code, 26 U.S.C. 41 (with modifications).

Table 1
Individual Income Tax – Legislation Passed by 56th Legislature
Estimated General Fund Impact for the 2001 Biennium

Bill No.	Short Title	Est Gain/Loss FY2000	Est Gain/Loss FY2001
HB 132	Standardize penalty and interest on late and de DOR	$19,406	$155,250
SB 424	Revise elderly homeowner and renter credit	(69,000)	(69,000)
HB 638	Provide a tax credit for qualified research expenses	0	0
	Total Estimated General Fund Impact	($49,594)	$86,250

HB 132 – Beginning in tax year 2000, HB132 simplifies the determination of penalty and interest applied to taxes, fees, and other assessments collected by the Department of Revenue under Titles 15 and 16, MCA. The bill: 1) provides uniform provisions for assessing penalties for

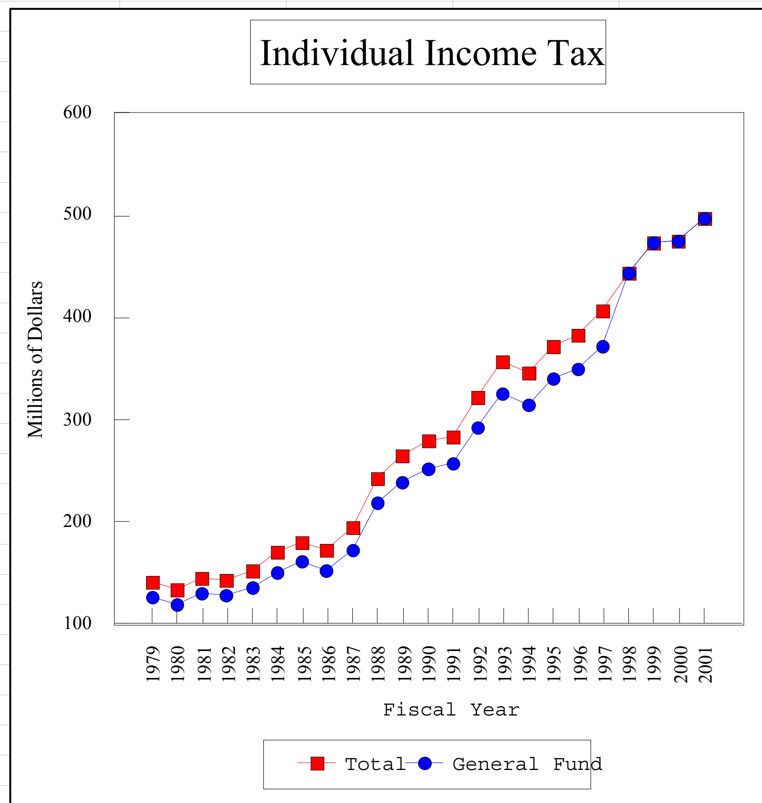
Qualified research expenses are defined as amounts paid by the taxpayer in a tax year for in-house research expenses and contract research expenses. The credit, while applicable to income tax liability, is expected to be taken only by corporations. Thus there is no fiscal impact on income tax collections.

INDIVIDUAL INCOME TAX

Revenue Projection

The table and graphic below present the historical and projected revenue collections for the individual income tax.

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1979	141.420747	125.864466	
A	1980	134.987298	120.138695	-4.55%
A	1981	146.036286	129.972295	8.19%
A	1982	143.803751	127.985390	-1.53%
A	1983	151.800311	135.102282	5.56%
A	1984	170.346345	151.608247	12.22%
A	1985	181.057157	161.140870	6.29%
A	1986	172.216130	153.272356	-4.88%
A	1987	194.676947	173.262483	13.04%
A	1988	243.768721	219.241292	26.54%
A	1989	265.539814	238.963596	9.00%
A	1990	279.642960	252.230465	5.55%
A	1991	282.960086	258.216424	2.37%
A	1992	321.538093	293.564151	13.69%
A	1993	356.986934	326.187735	11.11%
A	1994	345.643403	315.677433	-3.22%
A	1995	371.902909	339.939156	7.69%
A	1996	383.091612	350.161013	3.01%
A	1997	406.275740	371.275410	6.03%
A	1998	444.160729	444.160729	19.63%
F	1999	472.703000	472.703000	6.43%
F	2000	475.637000	475.637000	0.62%
F	2001	496.720000	496.720000	4.43%



Revenue Description

Montana law requires counties to levy a county equalization levy of 55 mills against all taxable value in a county. The state levies a statewide equalization levy of 40 mills against taxable value of all property in the state. Except for agricultural land and timberland, taxable value is defined as the market value of statutorily defined property times a statutory tax rate. Property valued at market value includes residential and commercial property, personal property, utility property, railroad and airline property, livestock, and mineral net proceeds. Agricultural land and timberland are valued on a productivity basis. The revenue from the property tax depends on the underlying value of the property, legislated tax rates as well as state and local mill levies. Prior to fiscal 1996, revenue from the county equalization levy and the statewide levy was deposited in the school equalization account (SEA) and used exclusively for support of public schools. Senate Bill 83, passed by the 1995 legislature, revised laws concerning dedicated revenue and appropriations. Property tax receipts, while still used for support of public schools, are deposited in the general fund, beginning in fiscal 1996.

Beginning in fiscal 1997, statute requires the boards of county commissioners in the five counties where colleges of technology reside, to levy 1.5 mills for deposit in the state general fund. In addition to the tax on property, this revenue component includes collections from "non-levy" sources, which are distributed on the basis of mills levied by taxing jurisdictions. These non-levy sources include the local share of the oil and gas production tax (formerly the local government severance tax and net proceeds tax), vehicle fees, coal gross proceeds taxes, the local share of the state corporation license taxes, and other smaller revenue sources.

There are two additional property tax assessments; however, they do not contribute to general fund income: 1) a statewide 6-mill university levy used to provide university system funding, and 2) a twelve-county, 9-mill welfare levy.

Applicable Tax Rate(s)

Varies according to property classification.

Distribution

All property tax receipts are deposited into the general fund, except revenue associated with the university and welfare levy.

Summary of Legislative Action

Distribution Pattern of Non-levy Revenue to State Accounts
Current Law for Fiscal 1999 - 2001

	Account Type				
Non-levy Revenue Source	55 Mills	40 Mills	6 Mills	9 Mills	1.5 Mills
Corporation Tax - Financials	Yes	No	No	No	No
Vehicle Fees	Yes	Yes	Yes	Yes	Yes
Oil & Gas Production Tax	Yes	Yes	Yes	No	No
Coal Gross Proceeds	Yes	No	Yes	No	No
Personal Property Reimbursements (HB 20)	No	No	Yes	Yes	Yes
Other Non-levy	Yes	No	No	No	No

Legislative Fiscal Division

PROPERTY TAX

Table 1 summarizes the legislation passed by the 56th legislature that impacts property tax collections. A brief narrative describing each bill follows Table 1.

Table 1
Property Tax -- Legislation Passed by 56th Legislature
Estimated General Fund Impact for the 2001 Biennium

Bill No.	Short Title	--------Est Gain/Loss------ FY2000	FY2001
HB 128	Generally revise taxation of telecommunications	$0	($4,523,863)
HB 174	Generally revise taxation of electrical generation facilities	0	(6,142,829)
HB 418	Clarify tax exemption for certain fraternal organizations	(3,080)	(3,080)
HB 479	Revise airline valuation for tax purposes	(18,690)	(27,573)
HB 513	Large agricultural land not included in exempt charitable property	0	5,957
HB 669	Clarify and revise tax valuation of rail transportation property	(26,334)	(53,590)
SB 111	Exempting intangible personal property from taxation	0	(300,000)
SB 184	Generally revise property tax law	(7,275,141)	(8,509,874)
SB 200	Stimulate economic growth and business retention; revise class 8 property tax	(3,914,700)	(10,632,000)
SB 487	Clarify oil equipment is a class 8	74,794	74,794
SB 260	Reduce the taxes on light vehicles and fleet vehicles	(5,330,000)	(11,430,000)
	Total Estimated General Fund Impact	($16,493,151)	($41,542,058)

HB 128 – Beginning in tax year 2000, HB 128 removes centrally assessed telecommunications property from class 9 (utilities), places it in a new class of property (class 13), and applies a tax rate of 6 percent. This property is currently taxed at a rate of 12 percent. Rural telecommunications property is removed from class 7, where it was taxed at 8 percent, and placed in class 5, where it will be taxed at 3 percent, beginning in tax year 2000.

HB 174 - Beginning in tax year 2000, HB 174 removes centrally assessed electrical generation property from class 9 (utilities) and places it in a new class of property (class 13) and applies a tax rate of 6 percent. This property is currently taxed at a rate of 12 percent. It is unknown whether this property will continue to be centrally assessed in the future.

The estimates of the HB 174 property tax loss in Table 1 reflect an assumption about the upcoming sale of Montana Power Company electrical generating assets to Pennsylvania Power and Light. It is assumed that the sale will be completed before January 1, 2000, and that the value established for property tax purposes on that date will be the sale value of the assets, which is approximately 1.5 times its current value for property taxes. As a result, the revenue loss to state and local jurisdictions is estimated be around 25 percent, in spite of the tax rate falling by 50 percent. If the sale does not take place in calendar 1999, the result will be a larger revenue reduction than reported in Table 1.

HB 418 – Effective March 29, 1999 and applicable to tax years after December 31, 1998, HB 418 clarifies the exemption from property taxes for buildings and personal property of a society or organization of honorably discharged United States military personnel. Property tax revenue loss is expected to be around $3,000 each year of the biennium.

HB 479 - Applicable retroactively to newly acquired aircraft and equipment acquired after December 31, 1996, and to property tax years beginning after December 31, 1998, HB 479: 1) revises the valuation for tax purposes of newly acquired aircraft and supporting equipment acquired by certain scheduled airlines; and 2) provides definitions of "newly acquired aircraft" and "newly acquired equipment". The bill is expected to decrease state property tax revenue by $18,690 in fiscal 2000 and by $27,573 in fiscal 2001.

HB 513 - Beginning in tax year 2000, HB 513: 1) provides that agricultural property that is used to produce unrelated business taxable income does not qualify as property used purely for public charitable purposes of qualifying for a property tax exemption; and 2) revises the definition of "institutions of purely public charity". The revenue loss to the general fund is estimated to be $6,000 in fiscal 2001.

HB 669 - Applicable retroactively to tax years beginning after December 31, 1998, HB 669: 1) revises and clarifies the valuation of railroad transportation property for the purposes of property taxation; 2) specifies the methods to be used by the department of revenue in the valuation of railroad transportation property; and 3) provides definitions. The general fund revenue loss is expected to be $26,334 in fiscal 2000 and $53,590 in fiscal 2001.

SB 111 - Beginning in tax year 2000, SB 111: 1) exempts intangible personal property from property taxation; 2) phases in over 3 years the exemption for intangible personal property that is centrally assessed; 3) requires the Department of Revenue to adopt rules that specify the valuation methodology for intangible personal property owned by centrally assessed companies; and 4) requires the Department of Revenue to report on intangible personal property annually to the Revenue and Taxation Committee and to the legislature in 2001. SB 111 is expected to reduce general fund property tax revenues by $300,000 in fiscal 2001.

SB 184 – Three changes approved in SB 184 will affect valuation of much of the real estate property in each taxing jurisdiction in the state. Beginning in tax year 1999, SB 184: 1) phases-in the 1997 reappraisal of residential, commercial, agricultural and timberland property; 2) phases-in a reduction in the tax rate applied to this property; and 3) establishes homestead and commercial real estate exemptions.

The 1997 legislature in SB 195 required a phase-in of the 1997 reappraisal over a 50 year period. SB184 reduces this phase-in period to 4 years beginning in tax year 1999. The difference between the reappraised value of a property and its tax year 1998 value will be phased in at 25 percent per year until it is fully effective in tax year 2002. The next reappraisal will be phased-in at 1/6 each year, beginning January 1, 2003.

SB 195 applied a phase-in rule for properties that rose in value and that fell in value as a result of the 1997 reappraisal. In a case settled in 1999, Roosevelt v State of Montana, the Supreme Court ruled that a valuation phase-in rule for properties that fall in value is unconstitutional. As a result the phase-in rule in SB 184 applies only to those properties that rise in value. Properties that fall in value will be valued at their new appraised value immediately in tax year 1999. The fiscal impact associated with SB184 in Table 1 reflects both the impact of the Roosevelt decision and the impacts of SB 184.

SB 184 reduces the tax rate applied to class 4 (residential and commercial real estate) property. The class 4 tax rate is lowered to 3.7105 percent for tax year 1999 and is adjusted downward each year by 0.0835 percentage points until the rate reaches 3.46 percent in tax year 2002 and beyond. Since the rate for class 3 property (agricultural land) is equal in law to the rate on class 4 property, the class 3 rate will fall also. The tax rate on timberland is set at 0.79 percent for tax year 1999, and is lowered by 0.11 percentage points each year until it reaches 0.35 percent in tax year 2003 and beyond.

The 1997 reappraisal increased the statewide average value of residential property by 44.2 percent, the average value of class 4 commercial property by 24.1 percent, the average value of agricultural property by 6.9 percent, and the average value of timberland property by 128.1 percent. In order to forestall increases in the property tax bills applied to most home and business real estate, SB184 established a homestead exemption and a "comstead" exemption in the following magnitudes:

Residential Property Exemption

Tax year 1999	16.0 percent
Tax year 2000	23.0 percent
Tax year 2001	27.5 percent

Tax year 2002	33.0 percent

Commercial Property Exemption

Tax year 1999	6.5 percent
Tax year 2000	9.0 percent
Tax year 2001	11.0 percent
Tax year 2002	13.0 percent

The exemption percent applies to the phased-in reappraised value of the property. The homestead exemption applies to all residential property, including vacant residential lots and rental multifamily dwellings, and the comstead exemption applies to all class 4 commercial property, including vacant commercial lots. The homestead exemption, combined with the class 4 tax rate reduction, was designed to more than offset the upward impact of reappraisal on the average homeowner in Montana.

SB 184 also requires that the valuation of land be tied to the valuation of improvements on the land. If the land is appraised at less than 75 percent of the appraised value of the improvements on the land, then the land is valued at its appraised value. If the appraised value of the land exceeds 75 percent of the appraised value of the improvements, then the land is valued at 75 percent of the appraised value of the improvements.

SB 200 – Beginning in tax year 2000, SB 200: 1) reduces the tax rate for business equipment (class 8) from 6 percent to 3 percent; and 2) establishes an exemption from class 8 property taxes for owners with business equipment valued at $5,000 or less. The rate reduction to 3 percent for class 8 property will remain in effect until January 1, 2004. At that time, and for each year in the future, the rate will remain at 3 percent unless in any year the observed year over year inflation-adjusted growth in Montana wage and salary income is at least 2.85 percent. If this condition is met, then the class 8 tax rate will fall by 1 percentage point per year until the tax rate reaches zero.

SB 200 also phases-in the elimination of the tax rate for livestock (class 6 property) from its current rate of 4 percent. The tax rate applied to class 6 will be 3 percent in tax year 2000, 2 percent in tax year 2001, 1 percent in tax year 2002 and 0 percent in tax year 2003 and beyond.

SB 487 – Beginning in tax year 1999, SB487 clarifies that skidable, portable, or movable oil field equipment is class eight equipment for property tax purposes. Some of this property under previous law was classified as class 4 property. The fiscal impact of moving this equipment to class 8 was estimated to be a general fund revenue increase of $75,000 per year. However, the tax rate of class 8 property was dropped from 6 percent to 3 percent by SB 200. As a result the revenue loss is expected to be minimal.

SB 260 – Beginning January 1, 2000, the tax rate on light vehicles will drop from 2 percent of the depreciated vehicle value to 1.4 percent of the depreciated vehicle value, a 30 percent reduction. For tax years 2001 and beyond, the tax rate will be adjusted downward to prevent increases in statewide taxable value of motor vehicles from generating additional revenue statewide.

SB260 increases the local option motor vehicle tax from 0.5 percent to 0.7 percent beginning January 1, 2000. Counties, with voter approval, may increase the local option tax, and if all should do so, the additional revenue will amount to around $7 million per year, split between county and city governments.

SB260 alters the distribution of motor vehicle tax revenue. The share of motor vehicle tax revenue distributed to the district courts was increased to 10 percent from 7 percent. The remaining revenue will no longer be distributed to the statewide 40 mill equalization levy or the university 6 mill levy. The share of the motor vehicle revenue formerly captured by these levies will be distributed to all remaining state and local levies. The two state levies (46 mills) represent approximately 12 percent of the average consolidated levy in the state. Thus, the revenue loss to the remaining levies will average 20 percent in a full fiscal year.

The state will reimburse motor vehicle revenue losses to the general fund of all school districts' to fiscal 1999 levels. The first payment of $2.2 million will take place in fiscal 2001.

HB 540 – At the election in November of 2000, HB 540 submits to the qualified electors of Montana a proposal to switch from a tax based on the value of a light vehicle to a flat fee based on the age of the vehicle. Light vehicles are defined as all cars and trucks under one ton. Under HB 540, the registration fee on light vehicles that are 4 years old or less would be $195, five to ten years old would be $65, and 11 years or older would be $6. The proposal provides for a 24-month vehicle registration. Counties may continue to impose a local option tax of up to 0.5% of the value of the vehicle, or, with voter approval, impose a flat fee on top of the registration fee.

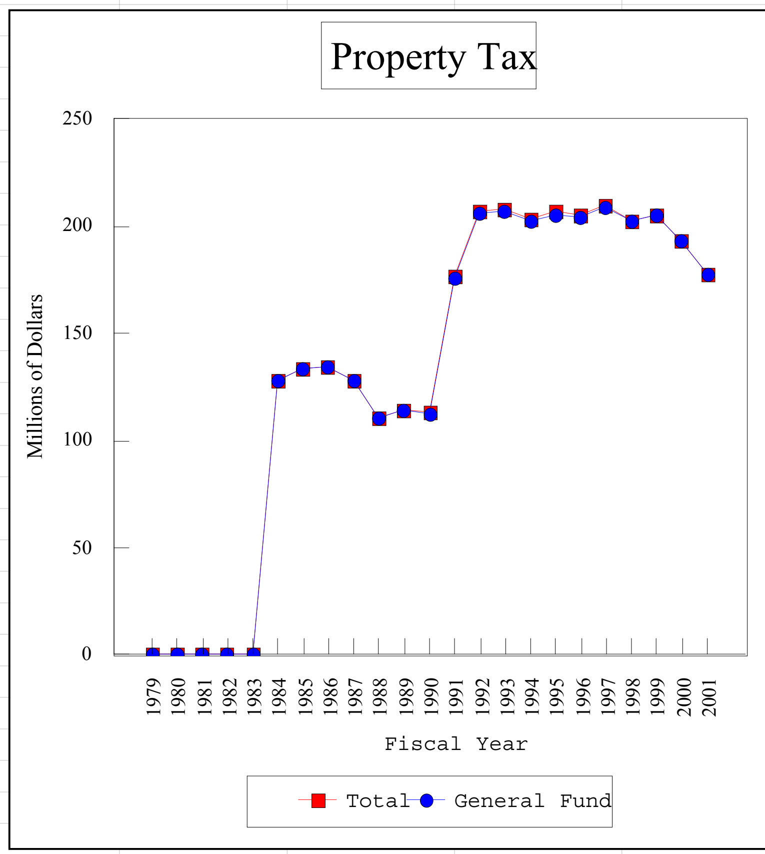
None of the registration fees would be distributed to the 95 mills for schools, 6 mills for the university system, or mill levies for public assistance programs in state-assumed counties. The school district general fund will be reimbursed up to the amount of motor vehicle fees deposited in the district general fund in FY 1999. HB 540 directs that the registration fee be deductible against state income taxes. The new registration fee would most likely not be deductible against federal income taxes.

The proposal will be on the ballot in November 2000. If approved by the electorate, the new fee structure will be effective on January 1, 2001.

Revenue Projection

The table and graphic below present the historical and projected revenue collections for property tax.

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1979	0.000000	0.000000	
A	1980	0.000000	0.000000	Not App.
A	1981	0.000000	0.000000	Not App.
A	1982	0.000000	0.000000	Not App.
A	1983	0.000000	0.000000	Not App.
A	1984	128.445172	128.445172	Not App.
A	1985	133.608178	133.608178	4.02%
A	1986	134.707251	134.707251	0.82%
A	1987	128.225413	128.225413	-4.81%
A	1988	111.111138	111.111138	-13.35%
A	1989	114.444609	114.444609	3.00%
A	1990	113.238133	112.374543	-1.81%
A	1991	177.024885	176.154583	56.76%
A	1992	207.083963	206.138029	17.02%
A	1993	208.542246	207.646372	0.73%
A	1994	203.356534	202.381945	-2.54%
A	1995	206.856660	205.842671	1.71%
A	1996	205.111108	204.082588	-0.86%
A	1997	209.598273	209.284365	2.55%
A	1998	202.350380	202.350380	-3.31%
F	1999	205.546534	205.547000	1.58%
F	2000	193.417081	193.417000	-5.90%
F	2001	177.416627	177.417000	-8.27%



CORPORATION INCOME TAX

Revenue Description

The corporation income tax is a license fee levied against a corporation's net income earned in Montana. The corporation income tax is imposed on corporations that, for reasons of jurisdiction, are not taxable under a license tax. The revenue from Montana's corporation license tax is closely correlated with profits from corporations in the rest of the country. Additional factors that affect corporation license tax receipts include tax credits and the audit efforts by the Department of Revenue. As with individual income tax, all forecasts are adjusted for allowable credits.

Applicable Tax Rate(s)

The tax rate is 6.75 percent, except for corporations making a "water's edge" election (see 15-31-322, MCA), which pay a 7.0 percent tax on their net income.

Distribution

All corporation taxes are distributed to the general fund except for the tax levied on financial institutions. Eighty percent of the corporation taxes collected from financial institutions (excluding collections from the surtax imposed for tax years 1992 and 1993) is distributed to local governments in the county in which the financial institution is located. The remaining twenty percent of corporation taxes collected from financial institutions is allocated to the general fund.

Summary of Legislative Action

The narrative and Table 1 summarize the legislation passed by the Fifty-sixth Legislature that impacts corporation income tax collections.

HB 638 – Beginning in tax year 1999, HB638 provides an income and corporation tax credit for increases in qualified research expense and basic research payments for research conducted in Montana. The credit is determined in accordance with section 41 of the Internal Revenue Code, 26 U.S.C. 41 (with modifications); Qualified research expenses are defined as amounts paid by the taxpayer in a tax year for in-house research expenses and contract research expenses. The credit is expected to be taken only by corporations. The reduction in corporation tax collections is expected to be $105,000 in each year of the 2001 biennium.

Revenue Projection

The table and graphic on the following page present the historical and projected revenue collections for the corporation income tax.

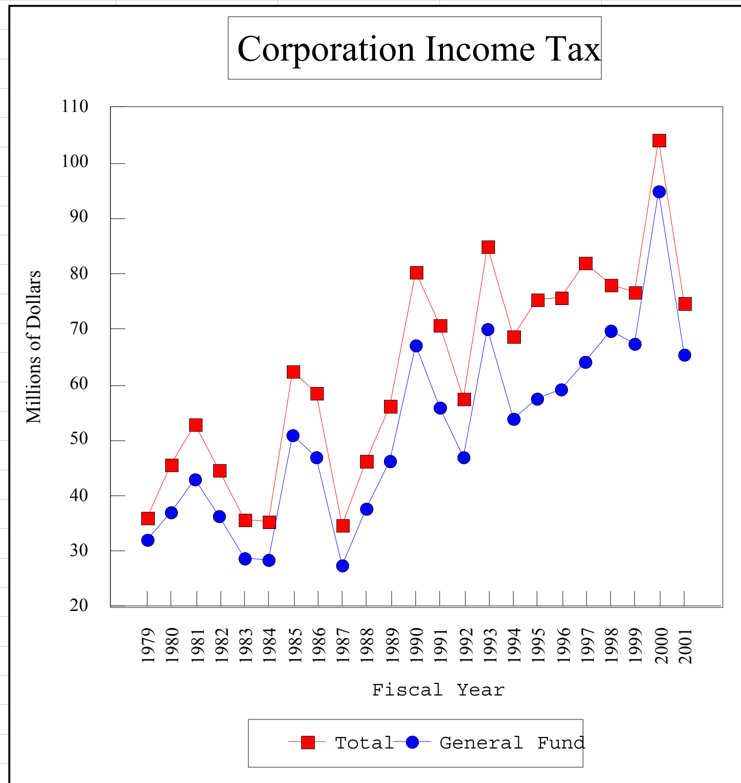
The legislature included a one-time capital gain of $30 million in fiscal 2000 as a result of anticipated sale of Montana Power Company assets.

Table 1
Corporation Income Tax -- Legislation Passed by 56th Legislature
Estimated General Fund Impact for the 2001 Biennium

		--------Est Gain/Loss------	
Bill No.	Short Title	FY2000	FY2001
HB 638	Provide a tax credit for qualified research expenses	($105,000)	($105,000)

CORPORATION INCOME TAX

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1979	36.091654	32.121572	
A	1980	45.623189	37.071861	15.41%
A	1981	52.900964	43.057581	16.15%
A	1982	44.630472	36.482257	-15.27%
A	1983	35.830832	28.832742	-20.97%
A	1984	35.396240	28.573417	-0.90%
A	1985	62.609205	50.976990	78.41%
A	1986	58.584784	47.121070	-7.56%
A	1987	34.566361	27.371125	-41.91%
A	1988	46.200104	37.584806	37.32%
A	1989	56.139749	46.152627	22.80%
A	1990	80.315504	67.087905	45.36%
A	1991	70.784279	56.006784	-16.52%
A	1992	57.682672	47.027797	-16.03%
A	1993	85.054483	70.003987	48.86%
A	1994	68.871909	53.996713	-22.87%
A	1995	75.519940	57.425136	6.35%
A	1996	75.761891	59.336677	3.33%
A	1997	81.999138	64.078549	7.99%
A	1998	77.928498	69.724680	8.81%
F	1999	76.622000	67.380000	-3.36%
F	2000	104.139000	95.101000	41.14%
F	2001	74.750000	65.634000	-30.98%



COMMON SCHOOL INTEREST AND INCOME

Revenue Description

Lands granted by the federal government to the state for the benefit of public schools generate income. Prior to fiscal 1996, this income was deposited in the SEA. Beginning in fiscal 1996, this income was deposited in the general fund, as mandated by SB 83, passed by the 1995 legislature. The public schools land produces revenue through rents or crop shares for agricultural purposes, royalties from the sale of mineral rights, and sales of timber. After deducting 2.5 percent of the revenue (excluding timber sale revenue) for use by the Department of Natural Resources and Conservation (DNRC), interest and income revenues are deposited 95 percent to the general fund and 5 percent to the common school trust. (The common school trust is actually part of the trust and legacy trust fund.) The funds allocated to DNRC are to be used for resource development purposes and, per HB 156 passed by the 1997 legislature, the allocation was increased to 3 percent for the 1999 biennium only.

The public school trust, itself, generates interest earnings for the state. These earnings must be deposited 95 percent in the general fund with the remaining 5 percent returning to the trust. As of October 1, 1995, all fixed-income investments held by the state's major trust funds were transferred to a newly-created Trust Fund Bond Pool (TFBP). The majority of common school trust funds are invested as part of the TFBP. Some funds, however, are invested on a short term basis in the state's Short Term Investment Pool (STIP). The state Constitution prohibits the investment of common school trust funds in common stock.

Distribution

As described above, income from common school lands is distributed 95 percent to the general fund and 5 percent to the public school trust. Ninety-five percent of the interest income earned on the trust, itself, is deposited into the general fund and the other 5 percent is applied to the trust fund balance.

Summary of Legislative Action

The narrative and Table 1 summarize the legislation passed by the 56th Legislature that impacts common school interest and income revenue.

SB 48 – Effective July 1, 1999, SB48 makes significant changes in funding the Trust Land Management Division in the Department of Natural Resources and Conservation. The legislation allows the diversion of a portion of the following money (previously deposited into the corpus of the land trust funds) from ten land trusts administered by the department: 1) mineral royalties; 2) the proceeds or income from the sale of easements and timber (except timber from public school lands); and 3) 5 percent of the interest and income previously credited annually to the common school trust. The money is diverted to a state special revenue account to pay costs of administering state trust lands. The legislation provides limitations on the amount of diverted revenue and the amount of the appropriations: 1) the diverted revenue is limited to 1-1/8 percent of the book value balance in each of the nine nonexpendable trust funds on the first day of January preceding the new biennium and 10 percent of the previous fiscal year revenue deposited into the capitol building land grant trust fund; and 2) appropriations of the money are limited to 1-1/8 percent of the book value balance in the nine nonexpendable trust funds on the first day of January preceding the new biennium and 10 percent of the revenue deposited in the capitol building land grant trust fund in the last completed fiscal year prior to the new biennium. In HB 2, the legislature replaced

Table 1
Common School Interest & Income Tax -- Legislation Passed by 56th Legislature
Estimated General Fund Impact for the 2001 Biennium

Bill No.	Short Title	--------Est Gain/Loss------ FY2000	FY2001
SB 48	Fund trust land management functions	($150,566)	($368,498)

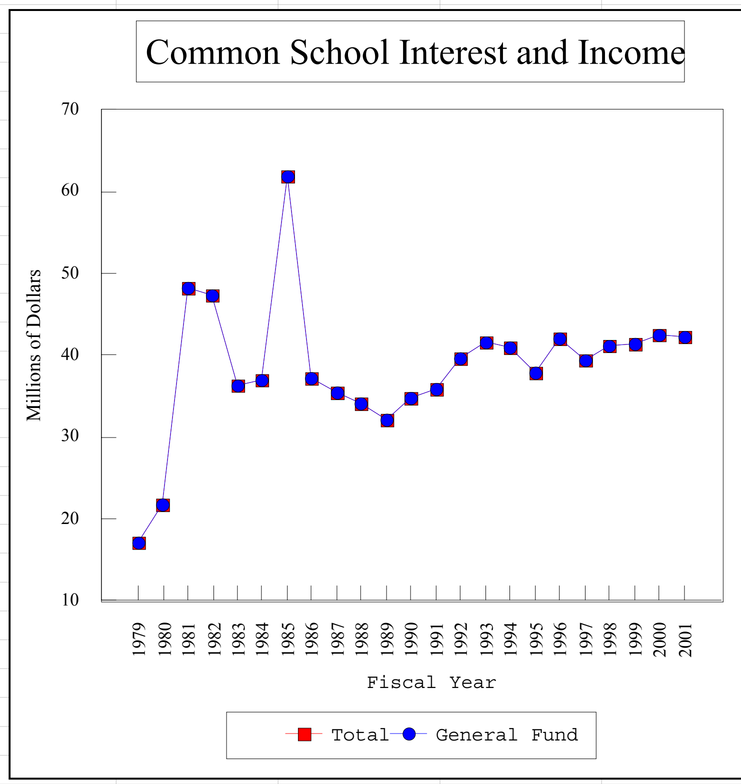
$7.1 million of general fund appropriations with state special revenue provided by this legislation. Therefore, deposits to land trusts (primarily the Common School Trust) will be reduced by $7.1 million over the biennium.

As a result of a smaller future common school trust corpus, interest earnings distributed to the general fund will be reduced by $151,000 in fiscal 2000 and by $368,000 in fiscal 2001.

Revenue Projection

The table and graphic below present the historical and projected revenue collections for the common school interest and income.

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1979	17.122330	17.122330	
A	1980	21.882375	21.882375	27.80%
A	1981	48.265782	48.265782	120.57%
A	1982	47.478286	47.478286	-1.63%
A	1983	36.398297	36.398297	-23.34%
A	1984	36.982835	36.982835	1.61%
A	1985	62.050661	62.050661	67.78%
A	1986	37.301053	37.301053	-39.89%
A	1987	35.529619	35.529619	-4.75%
A	1988	34.078544	34.078544	-4.08%
A	1989	32.165382	32.165382	-5.61%
A	1990	34.706901	34.706901	7.90%
A	1991	35.865505	35.865505	3.34%
A	1992	39.616168	39.616168	10.46%
A	1993	41.673746	41.673746	5.19%
A	1994	40.943551	40.943551	-1.75%
A	1995	37.904099	37.904099	-7.42%
A	1996	42.031801	42.031801	10.89%
A	1997	39.538792	39.538792	-5.93%
A	1998	41.129779	41.129779	4.02%
F	1999	41.437000	41.437000	0.75%
F	2000	42.506000	42.506000	2.58%
F	2001	42.214000	42.214000	-0.69%



PERMANENT COAL TRUST INTEREST EARNINGS

Revenue Description

Article IX, section 5 of the Montana Constitution requires that 50 percent of all coal severance tax revenue be deposited in a permanent coal tax trust fund, and that the principal of the trust "shall forever remain inviolate unless appropriated by a three-fourths vote of each house". Coal severance tax funds flowing into the trust fund are first used to secure state bonds issued to finance water resource and renewable resource development projects and activities. The funds are then split with half flowing into the treasure state endowment trust fund and the other half flowing into the permanent coal tax trust fund. By statute, interest earned on this trust not earmarked to other programs is distributed 100.0 percent to the general fund. When calculating interest earnings, the impact of loans made from the trust, such as for the Montana Science and Technology Alliance and for litigation in regard to the Clark Fork River Basin, are taken into account.

As of October 1, 1995, all fixed-income investments held by the state's major trust funds were transferred to a newly-created Trust Fund Bond Pool (TFBP). The majority of permanent coal tax trust funds are invested as part of the TFBP. Some funds, however, are invested on a short-term basis in the state's Short Term Investment Pool (STIP). In addition, state law provides that trust funds may be used for in-state commercial loans to stimulate economic development. The state Constitution prohibits the investment of the permanent trust in common stock.

Distribution

The table below details the distribution in recent years of that portion of the interest earned on the permanent coal tax trust fund that is not earmarked for other programs.

Distribution of Coal Trust Interest

(Percent)

Fiscal Year	General Fund	Permanent Trust	School Equalization
1984-1986	85.0	15.0	0.0
1987	100.0	0.0	0.0
1988-1989	98.0	2.0	0.0
1990	100.0 *	0.0	0.0
1991-1995	85.0	0.0	15.0
1996 and Beyond	100.0	0.0	0.0

*Minus $2.0 million of interest appropriated for medical research facilities.

Summary of Legislative Action

Table 1 summarizes the legislation passed by the 56th legislature that impacts permanent trust interest earnings collections. A brief narrative describing each bill follows Table 1.

Table 1
Permanent Coal Trust Interest Earnings -- Legislation Passed by 56th Legislature
Estimated General Fund Impact for the 2001 Biennium

		--------Est Gain/Loss------	
Bill No.	Short Title	FY2000	FY2001
HB 44	Use portion of coal trust for health facility authority	$12,500	$18,750
HB 92	Fund natural resource damage litigation program	($90,866)	($91,562)
HB 260	Encourage economic development via investment in research/commercial projects	(323,937)	(910,272)
HB 645	Revise government accounting and fund structure law	495,000	495,000
	Total Estimated General Fund Impact	$92,697	($488,084)

HB44 – Beginning July 1, 1999, HB44 allows the Montana Health Facility to loan and administer up to $15 million in permanent trust funds for capital projects. The loans are expected to generate 50 more basis points in interest than were earned under previous law. The impact on the general fund is an increase in interest earnings of $12,500 in fiscal 2000 and $18,750 in fiscal 2001.

HB92 – Beginning July 1, 1999, and ending June 30, 2001, HB92 authorizes a general fund loan to the Department of Justice a biennial amount of $1,650,000 in permanent trust funds for final settlement of the damage litigation against Atlantic Richfield Corporation (ARCO). The resulting loss in general fund trust interest will be $90,866 in fiscal 2000 and $91,562 in fiscal 2001. It is likely but not certain that the loan will be repaid during the 2001 biennium. This bill required a three-quarters vote of each house of the legislature.

HB 260 – Beginning July 1, 1999, HB260 imposes a new coal license tax on the contract sales price of coal and reduces the coal severance tax liability for coal producers by allowing a credit against the coal severance tax in the amount of 101.5 percent of coal license tax liability. Thus, coal producers will realize a reduction of 1.5 percent in tax liability on coal production.

The total reduction in coal severance tax collections is expected to be $20.7 million in fiscal 2000 and $19.64 million in fiscal 2001. The new coal license tax will generate $20.4 million in fiscal 2000 and $19.3 in fiscal 2001.

The legislation, in combination with HB69 and SB220, provides a new distribution of coal severance taxes and specifies a distribution for the new coal license tax. Under the new distribution, none of the coal severance revenue will be distributed to the permanent trust. Instead, 37.5 percent of the reduced coal severance tax revenue stream will be deposited in the Treasure State Endowment Trust Fund, and 12.5 percent will be deposited in a new TSEF regional water system account (SB220). The remaining distribution of the coal severance tax will be deposited as under previous law, except that the amount (1.3 percent) credited to long range building program debt service will now be directly deposited in the general fund.

Coal severance tax revenue deposited in the permanent fund will be reduced by $8.3 million in fiscal 2000 and by $7.9 million in fiscal 2001. None of the new coal license tax will be allocated to the permanent fund. As a result permanent trust interest earnings deposited in the general fund will fall by $323,937 in fiscal 2000 and by $910,272 in fiscal 2001.

HB69 – eliminates the distribution of coal severance tax revenue to the long range building debt service account that was used to pay bonds issued for the purchase of Virginia City and Nevada

City property. Long range bond excess revenue in the general fund will be reduced by $171,458 in fiscal 2000 and by $167,398 in fiscal 2001.

SB220 – Beginning July 1, 1999, SB220 creates a new treasure state endowment regional water system fund into which will be deposited 25 percent of one-half of all coal severance receipts. The other 75 percent of one-half of coal severance receipts will flow into the TSEF.

The table below shows the revenue flows for the coal severance tax and the new coal license tax as a result of HB260, HB69 and SB220.

HB 645 - Effective July 1, 1999, state agencies that need long-term loans are required to obtain the loans from other than the general fund, if possible. The fiscal note indicates: 1) the coal trust will be used as the long-term loan source for large loans, and 2) interest paid to the coal trust fund is general fund revenue. The additional interest is projected to total $0.5 million each year of the 2001 biennium.

Table 2

Impact of HB260, HB69 and SB220 on Coal Severance Tax Revenue and Distribution

New HB260 Coal License Tax Revenue and Distribution

HB260 Distributions of Coal License Tax			
Coal License Tax Dist	Biennium	FY00	FY01
Total Revenue	39,749,000	20,400,000	19,349,000
TSE Special Account	4,600,000	2,300,000	2,300,000
Ag seed capital	5,000,000	2,500,000	2,500,000
Industrial Tax Increment Dist	1,200,000	600,000	600,000
Total distribution	10,800,000	5,400,000	5,400,000
Net for redistribution	28,949,000	15,000,000	13,949,000

	Current Law - Coal Severance HJR2			New Law Coal Severance Tax			Coal License Tax - HB260		
				HB69/SB220			HB260		
		FY00	FY01	Distribution	FY00	FY01	Distribution	FY00	FY01
		33,266,000	31,547,000		12,560,000	11,907,765		15,000,000	13,949,000
Permanent Trust	25.00%	8,316,500	7,886,750	0.00%	0	0	0.00%	0	0
TSEF	25.00%	8,316,500	7,886,750	37.50%	4,710,000	4,465,412	0.00%	0	0
TSE Regional Water Acct	0.00%	0	0	12.50%	1,570,000	1,488,471	0.00%	0	0
General Fund	25.49%	8,479,503	8,041,330	26.79%	3,364,824	3,190,090	32.96%	4,944,000	4,597,590
LRBP - Cash	12.00%	3,991,920	3,785,640	12.00%	1,507,200	1,428,932	16.99%	2,548,500	2,369,935
LRBP - Debt	1.30%	432,458	410,111	0.00%	0	0	1.74%	261,000	242,713
Parks Trust	1.27%	422,478	400,647	1.27%	159,512	151,229	1.70%	255,000	237,133
Arts Trust	0.63%	209,576	198,746	0.63%	79,128	75,019	0.86%	129,000	119,961
Water Develop	0.95%	316,027	299,697	0.95%	119,320	113,124	1.27%	190,500	177,152
Other Accounts	8.36%	2,781,038	2,637,329	8.36%	1,050,016	995,489	11.15%	1,672,500	1,555,314
Research &Com trust	0.00%	0	0	0.00%	0	0	33.33%	4,999,500	4,649,202
Totals	100.00%	33,266,000	31,547,000	100.00%	12,560,000	11,907,765	100.00%	15,000,000	13,949,000

	License and Severance Revenue-New Law		Net Impact		Impact for all Accounts		
	FY00	FY01	FY00	FY01		FY00	FY01
Permanent Trust	0	0	(8,316,500)	(7,886,750)			
TSEF	4,710,000	4,465,412	(3,606,500)	(3,421,338)	Net Impact	(5,706,000)	(5,690,235)
TSE Regional Water Acct	1,570,000	1,488,471	1,570,000	1,488,471			
General Fund	8,308,824	7,787,681	(170,679)	(253,650)			
LRBP - Cash	4,055,700	3,798,867	63,780	13,227	TSE,AG, TIF	5,400,000	5,400,000
LRBP - Debt	261,000	242,713	(171,458)	(167,398)			
Parks Trust	414,512	388,362	(7,966)	(12,285)	Difference	(306,000)	(290,235)
Arts Trust	208,128	194,980	(1,448)	(3,766)			
Water Develop	309,820	290,276	(6,207)	(9,420)	This is 1.5% of Total License Tax Revenue		
Other Accounts	2,722,516	2,550,803	(58,522)	(86,527)			
Research &Com trust	4,999,500	4,649,202	4,999,500	4,649,202			
Totals	27,560,000	25,856,765	(5,706,000)	(5,690,235)			

PERMANENT COAL TRUST INTEREST EARNINGS

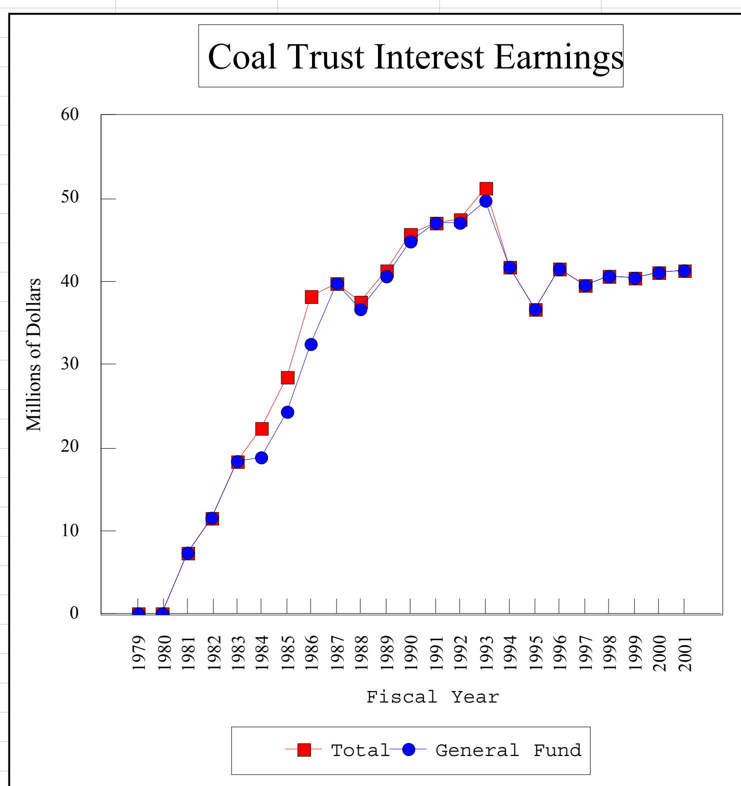
HB 645 also impacts the general fund by freeing up an estimated $9.9 million of general fund money from the fund balance. Generally accepted accounting principles require a loan reserve be recorded on the state accounting records against the accounting entity making the long-term loan, thus reducing the amount available for appropriation.

Because the coal trust is expected to be the long-term loan source rather than the general fund, the reserve recorded against the general fund can be eliminated, thus increasing the general fund balance by an estimated $9.9 million in fiscal 2000.

Revenue Projection

The table and graphic below present the historical and projected revenue collections for the coal trust interest earnings.

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1979	0.000000	0.000000	
A	1980	0.000000	0.000000	Not App.
A	1981	7.421901	7.421901	Not App.
A	1982	11.542421	11.542421	55.52%
A	1983	18.466762	18.466762	59.99%
A	1984	22.291337	18.947636	2.60%
A	1985	28.672038	24.299902	28.25%
A	1986	38.168226	32.443208	33.51%
A	1987	39.924866	39.924866	23.06%
A	1988	37.692796	36.754944	-7.94%
A	1989	41.456920	40.806026	11.02%
A	1990	45.671428	44.830283	9.86%
A	1991	46.999390	46.999390	4.84%
A	1992	47.595927	47.069997	0.15%
A	1993	51.247658	49.787658	5.77%
A	1994	41.725015	41.725015	-16.19%
A	1995	36.675110	36.675110	-12.10%
A	1996	41.532305	41.532305	13.24%
A	1997	39.553397	39.553397	-4.76%
A	1998	40.746333	40.746333	3.02%
F	1999	40.528000	40.528000	-0.54%
F	2000	41.115000	41.115000	1.45%
F	2001	41.453000	41.453000	0.82%



INSURANCE TAX & LICENSE FEES

Revenue Description

The insurance premiums tax is levied on the net premiums or gross underwriting profit for each insurance company operating in Montana. Gross underwriting profit is essentially insurance premium income. In addition, various insurance fees and licenses are collected under this service.

Applicable Tax Rate(s)

The current tax rate is 2.75 percent of net premiums on policies sold in Montana. In addition, for each Montana resident insured under any individual or group disability or health insurance policy, all insurers are required to pay $0.70 to the State's Insurance Commissioner. This fee is used to fund the voluntary statewide genetics program established in statute (50-19-211, MCA).

Distribution

The majority of insurance tax and license fee proceeds are deposited into the general fund. A small percentage of collections, however, is allocated to a state special revenue account.

Summary of Legislative Action

Table 1 summarizes the legislation passed by the 56th legislature that impacts insurance premium tax collections. A brief narrative describing each bill follows Table 1.

SB132 – Beginning January 1, 2000, SB132 eliminates many disparate fees on insurance companies and replaces these with one company fee of $1,900 per company per year, due upon application for or renewal of a certificate of authority which is essentially a state business license for insurance companies. Some small fees will remain. The revenue from this fee will be deposited in a state special revenue account for administration of insurance activities. The revenue loss to the general fund will amount to $2.6 million in fiscal 2001 and beyond. (The State Auditor's Office agreed to reimburse the general fund for losses in fiscal 2000.)

Table 1
Insurance Premiums Tax – Legislation Passed by 56th Legislature
Estimated General Fund Impact for the 2001 Biennium

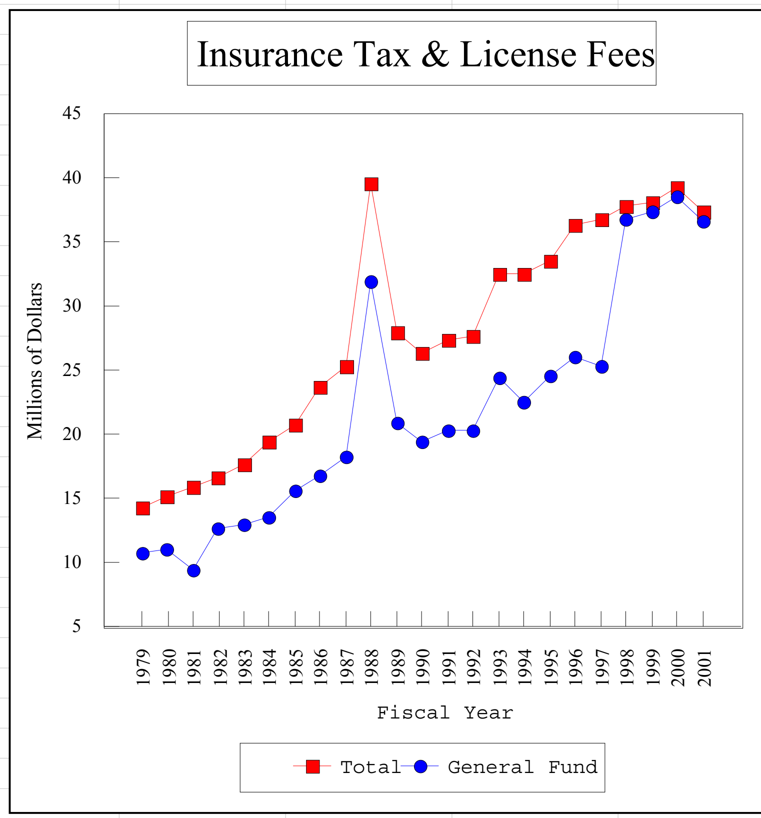
		Est Gain/Loss	
Bill No.	Short Title	FY2000	FY2001
SB 132	Generally revise insurance fees	$0	($2,579,502)

INSURANCE TAX & LICENSE FEES

Revenue Projection

The table and graphic below present the historical and projected revenue collections for the insurance premiums tax.

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1979	14.367308	10.748226	
A	1980	15.177033	11.031794	2.64%
A	1981	15.967069	9.551061	-13.42%
A	1982	16.754178	12.790003	33.91%
A	1983	17.725218	13.011479	1.73%
A	1984	19.517173	13.621332	4.69%
A	1985	20.797571	15.691565	15.20%
A	1986	23.759335	16.780399	6.94%
A	1987	25.299537	18.245085	8.73%
A	1988	39.564932	32.047077	75.65%
A	1989	28.085448	20.882814	-34.84%
A	1990	26.430389	19.446368	-6.88%
A	1991	27.400168	20.438058	5.10%
A	1992	27.767615	20.387391	-0.25%
A	1993	32.536113	24.463587	19.99%
A	1994	32.506094	22.510848	-7.98%
A	1995	33.662134	24.600092	9.28%
A	1996	36.388114	26.132824	6.23%
A	1997	36.813468	25.341540	-3.03%
A	1998	37.871196	36.813041	45.27%
F	1999	38.142000	37.445000	1.72%
F	2000	39.348000	38.629000	3.16%
F	2001	37.439000	36.646000	-5.13%



ALL OTHER REVENUE

Revenue Description

There are a number of other taxes, fees, and fines that historically have generated less than $2.5 million each in annual general fund revenue. In addition, the statutes governing these miscellaneous taxes, fees, and fines are frequently changed, making the comparison of tax years difficult.

Applicable Tax Rate(s)

Various

Distribution

All "other revenue" is deposited in the general fund.

Summary of Legislative Action

Table 1 summarizes the legislation passed by the 56th legislature that impacts "All Other" general fund revenue collections. A brief narrative describing each bill follows Table 1.

HB 69 -- Effective July 1, 1999, HB 69 eliminates several statutory appropriations and dedicated revenue accounts. Revenue previously deposited into a dedicated account (a state special revenue account) will now be deposited to the state general fund. The kind of revenue that will be re-directed to the state general fund includes primarily fines and forfeitures from various state enforcement functions. The overall fiscal impact of HB 69 to the state general fund is estimated to be approximately $44,000 in the 2001 biennium.

HB 168 -- Beginning July 1, 1999, HB 168 revises statutes relating to the collection of state debt. State debt collection responsibilities are transferred from the Department of Administration to the Department of Revenue effective July 1, 1999. Debt collections are expected to be enhanced by the use of the Department of Revenue's predictive dialer technology. HB 168 also authorizes the Department of Revenue to enter into agreements with the US government and other states governments for the offset of taxes owed to those entities against Montana tax refunds and requires reciprocity in those agreements. Tax offsets are applicable to refunds or payments made after December 31, 1999.

HB 391-- Effective July 1, 1999, HB 391 redirects the disposition of civil penalties collected pursuant to 80-8-306, MCA (pesticides) from the state general fund to a state special revenue account intended to be used for pesticide cleanup purposes. The general fund reduction is estimated to be just under $5,000 each year of the 2001 biennium.

HB 461 -- Effective July 1, 1999, HB 461 requires plumbers and electricians to carry a state license, or proof of licensure, at all

Table 1
All Other Revenue -- Legislation Passed by 56th Legislature
Estimated General Fund Impact for the 2001 Biennium

Bill No.	Short Title	--------Est Gain/Loss------ FY2000	FY2001
HB 69	Revise the laws governing statutory appropriations and dedicated revenue	$24,075	$19,075
HB 168	Revise stautes relating to the collection of certain debts by the state	63,400	59,600
HB 391	Generally revise the pesticide laws	(4,877)	(4,877)
HB 461	Citations to plumbers or electricians on job sites without proof of licensure	6,300	6,300
SB 72	Revise water quality laws	2,500	2,500
SB 128	Make permanent the Montana Living Trust Act	16,500	16,500
SB 374	Exempt local waste hauler from overweight vehicle fines on route to landfill	(250)	(250)
SB 381	Generally revise hunter education laws and penalties for violations	(60,000)	(60,000)
SB 446	Revise beer and wine restaurant license laws	18,593	800
	Total Estimated General Fund Impact	$62,441	$43,448

times at a job site and performing work requiring a license. The Department of Commerce is authorized to issue a citation and collect a fine if the plumber or electrician fails to display a license when requested to do so by either a building codes inspector or professional and occupational investigator. Any fines collected under this bill are deposited to the state general fund.

SB 72 -- Effective upon passage and approval, SB 72 revises water quality enforcement laws. Penalties for violations pertaining to public water systems were increased from $500 to $1,000 per day. Penalties collected under this bill are required to be deposited into the state general fund.

SB 128 -- Effective upon passage and approval, SB 128 makes the Montana Living Trust Act passed by the 55th Legislature permanent. This law was originally scheduled for termination October 1, 1999. All related fees and fines received by the state are required to be deposited to the state general fund.

SB 374 -- Effective October 1, 1999, SB 374 allows local garbage or waste haulers to exceed total gross weight limitations by a maximum of 10 percent and be exempt from fines.

SB 381 -- Effective July 1, 1999, SB 381 allows the deposit of up to $60,000 annually to a hunter education special revenue account of restitution funds for illegal killing or possession of certain wildlife. If more than $60,000 is collected from this revenue source annually, the excess is required to be deposited to the state general fund. Prior to passage of SB 381, all of this money was deposited to the state general fund.

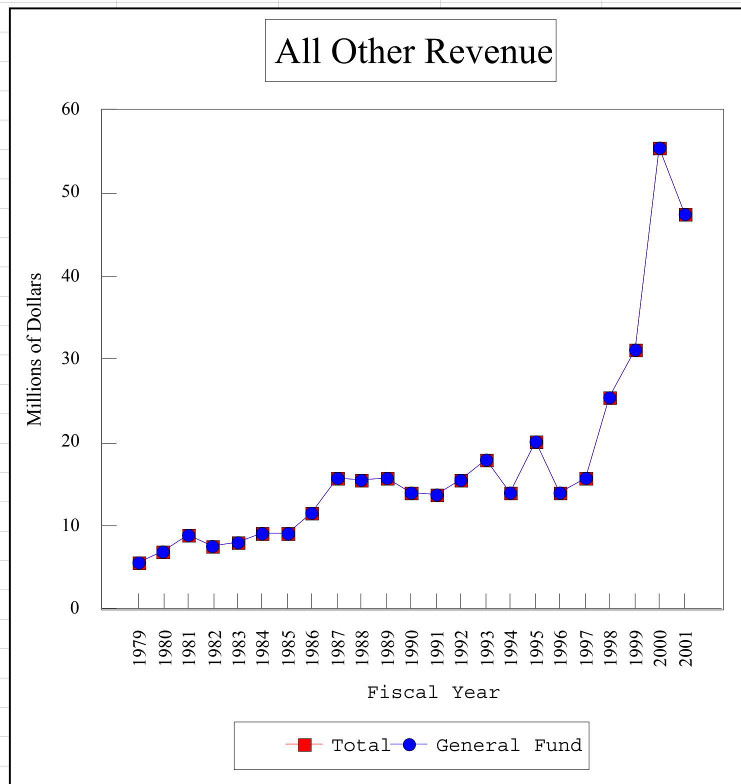
SB 446 -- Effective upon passage and approval, SB 446 revises beer and wine restaurant license laws by increasing the number of licenses available in the smallest quota area, authorizing a one-time quota adjustment, giving a preference to unsuccessful lottery applicants, and establishing that the application fee for a license is 20 percent of the initial license fee.. The fiscal note for SB 446 notes that the only area impacted at this time is the Kalispell quota area. The Kalispell area is expected to have two additional licenses available. General fund revenue is impacted by this bill because the additional licenses will result in increased application and annual license fee revenue.

Revenue Projection

The table and graphic below present the historical and projected revenue collections for "All Other Revenue" general fund sources. The revenue estimates for "All Other Revenue" include expected tobacco settlement funds of $37.4 million in fiscal 2000 and $29.4 million in fiscal 2001.

ALL OTHER REVENUE

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1979	5.609237	5.609237	
A	1980	7.046895	7.046895	25.63%
A	1981	9.016954	9.016954	27.96%
A	1982	7.554414	7.554414	-16.22%
A	1983	8.022353	8.022353	6.19%
A	1984	9.182376	9.182376	14.46%
A	1985	9.230178	9.230178	0.52%
A	1986	11.580707	11.580707	25.47%
A	1987	15.768806	15.768806	36.16%
A	1988	15.558294	15.558294	-1.33%
A	1989	15.834736	15.834736	1.78%
A	1990	14.097344	14.097344	-10.97%
A	1991	13.741633	13.741633	-2.52%
A	1992	15.466237	15.466237	12.55%
A	1993	17.993470	17.993470	16.34%
A	1994	14.105385	14.105385	-21.61%
A	1995	20.217103	20.217103	43.33%
A	1996	14.000938	14.000938	-30.75%
A	1997	15.822433	15.822433	13.01%
A	1998	25.427788	25.427788	60.71%
F	1999	31.235000	31.235000	22.84%
F	2000	55.557000	55.557000	77.87%
F	2001	47.507000	47.507000	-14.49%



U.S. MINERAL ROYALTY

Revenue Description

Under the federal Mineral Lands Leasing Act, 50 percent of all money received from federal lands in Montana must be shared with the state to be used by the subdivisions of the state for social or economic impacts of the development of minerals. The revenue produced on federal public lands includes royalties and bonuses from oil, gas, coal, and other mineral exploration and extraction.

Distribution

All receipts are deposited into the general fund.

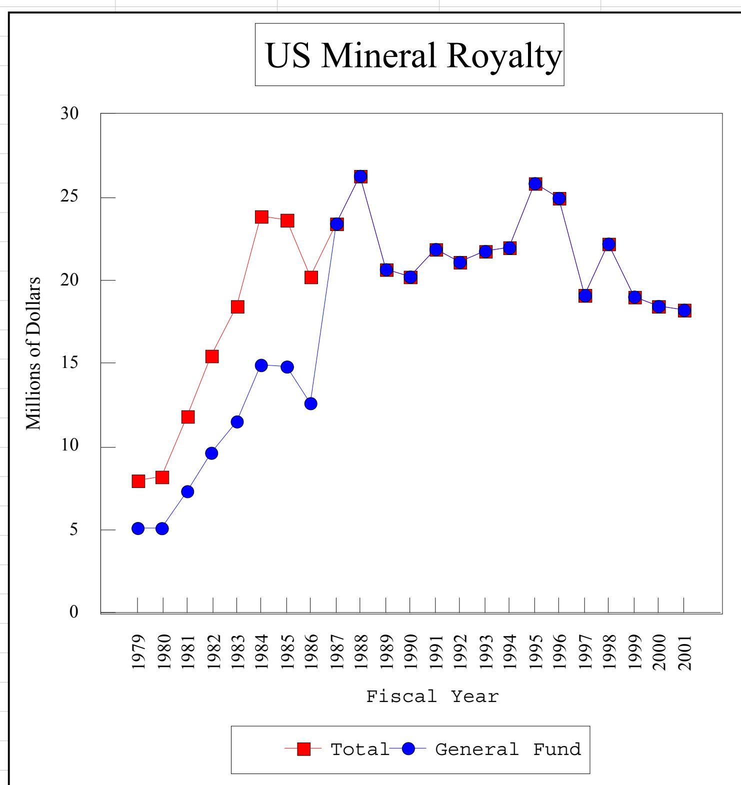
Summary of Legislative Action

The 56th Legislature did not enact legislation that impacted this general fund revenue source.

Revenue Projection

The table and graphic below present the historical and projected revenue collections for U.S. mineral royalty payments.

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1979	7.970116	5.148922	
A	1980	8.233983	5.146239	-0.05%
A	1981	11.808646	7.380404	43.41%
A	1982	15.508995	9.693122	31.34%
A	1983	18.468843	11.543027	19.08%
A	1984	23.917880	14.948556	29.50%
A	1985	23.708214	14.817634	-0.88%
A	1986	20.207422	12.629639	-14.77%
A	1987	23.433021	23.433021	85.54%
A	1988	26.327798	26.327798	12.35%
A	1989	20.727404	20.727404	-21.27%
A	1990	20.240644	20.240644	-2.35%
A	1991	21.928394	21.928394	8.34%
A	1992	21.150278	21.150278	-3.55%
A	1993	21.799728	21.799728	3.07%
A	1994	22.052161	22.052161	1.16%
A	1995	25.847747	25.847747	17.21%
A	1996	24.958952	24.958952	-3.44%
A	1997	19.161163	19.161163	-23.23%
A	1998	22.240950	22.240950	16.07%
F	1999	19.039000	19.039000	-14.40%
F	2000	18.492000	18.492000	-2.87%
F	2001	18.245000	18.245000	-1.34%



TREASURY CASH ACCOUNT INVESTMENT EARNINGS

Revenue Description

The Department of Commerce Board of Investments is responsible for investing all state funds. Title 17, Chapter 6, MCA, provides guidelines under which the funds must be invested. All interest earned on these investments is deposited in the general fund account, unless statute specifically designates otherwise. Treasury cash is invested in a mixture of short and medium-term investments. Consequently, the interest assumptions adopted by the legislature incorporate a blend of short and intermediate-term rates.

To address cash flow problems, the state typically issues tax and revenue anticipation notes (TRANS). The legislature adopts TRANS issuance assumptions, since this affects the average investable balance.

Distribution

All investment earnings on the treasury cash account (TCA) are deposited into the general fund.

Summary of Legislative Action

Table 1 summarizes the legislation passed by the 56th legislature that impacts treasury cash account investment earnings. A brief narrative describing each bill follows Table 1.

SB 31 – Effective July 1, 1999, SB31 accelerates the general fund payment of BASE aid to school districts by 20 days. The payment of approximately $30 million that would have been made on July 15, 2000 will instead be made on June 25, 2000. The state will lose 20 days of interest as a result. The loss is 5 days of interest lost in fiscal 2000 ($23,000) and the full 20 days in fiscal 2001 ($92,000).

SB136 – Effective July 1, 1999, SB136 provides that the secretary of state proprietary account shall retain its own interest earnings. The account's revenue is made up of fees charged by the secretary of state for filing and copying services. Under previous law, the interest on this money was deposited in the general fund. Losses will equal $25,000 each fiscal year.

SB 240 – SB 240, which is applicable to contracts entered into after July 1, 1999, requires that the state pay interest on state-held retainage owed to construction contractors. Under previous law, the state eared interest on retainage of approximately $2 million held by the Department of Transportation and $2 million held by the long range building program. The general fund revenue loss will be $84,000 in fiscal 2000 and $112,000 in fiscal 2001.

Table 1
TCA Interest Earnings -- Legislation Passed by 56th Legislature
Estimated General Fund Impact for the 2001 Biennium

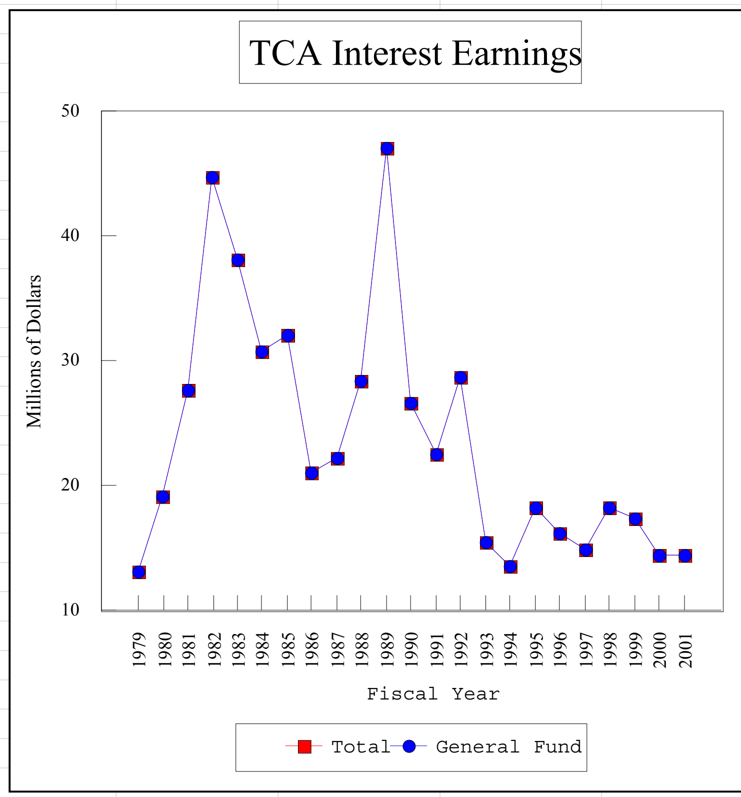
		--------Est Gain/Loss------	
Bill No.	Short Title	FY2000	FY2001
SB 31	Revise schedule of BASE aid payments	($22,964)	($91,686)
SB 136	Provide secretary of state proprietry account to retain interest	(25,000)	(25,000)
SB 240	Require gov entity to pay interest when money owed to contractor is withheld	(94,677)	(126,235)
	Total Estimated General Fund Impact	($142,641)	($242,921)

TREASURY CASH ACCOUNT INVESTMENT EARNINGS

Revenue Projection

The table and graphic below present the historical and projected revenue collections for the treasury cash account interest earnings.

	Fiscal Year	Total Collections Millions	GeneralFund Collections Millions	GF Percent Change
A	1979	13.162236	13.162236	
A	1980	19.216516	19.216516	46.00%
A	1981	27.739434	27.739434	44.35%
A	1982	44.818971	44.818971	61.57%
A	1983	38.149114	38.149114	-14.88%
A	1984	30.780603	30.780603	-19.32%
A	1985	32.154906	32.154906	4.46%
A	1986	21.044770	21.044770	-34.55%
A	1987	22.228606	22.228606	5.63%
A	1988	28.512114	28.512114	28.27%
A	1989	47.124294	47.124294	65.28%
A	1990	26.725363	26.725363	-43.29%
A	1991	22.624293	22.624293	-15.35%
A	1992	28.702764	28.702764	26.87%
A	1993	15.534745	15.534745	-45.88%
A	1994	13.641728	13.641728	-12.19%
A	1995	18.270206	18.270206	33.93%
A	1996	16.294496	16.294496	-10.81%
A	1997	14.924918	14.924918	-8.41%
A	1998	18.246918	18.246918	22.26%
F	1999	17.425000	17.425000	-4.50%
F	2000	14.478000	14.478000	-16.91%
F	2001	14.490000	14.490000	0.08%



INHERITANCE TAX

Revenue Description

An inheritance tax is imposed on the transfer of any decedent's property, interest in property, or income from property within the state, to any other person or corporation except a surviving spouse and certain relatives or governmental or charitable organization. The tax is due 18 months after the death of the decedent.

Since 1980, revenues from inheritance taxes have fluctuated because of federal and state law changes, accounting procedures, and the processing of several large estates.

Applicable Tax Rate(s)

The tax rate varies from 0.0% to 32.0% depending on the size of the estate and the relationship of the decedent to the beneficiary.

Distribution

All proceeds are deposited into the general fund.

Summary of Legislative Action

Table 1 summarizes the legislation passed by the 56th legislature that impacts inheritance tax collections. A brief narrative describing each bill follows Table 1.

SB 473 – This bill extends the inheritance tax exemption on property which is passed to stepchildren regardless of the age of the stepchild when the relationship of the stepchild to the decedent began. Under previous law, for deaths occurring after July 1, 1999, the exemption would have been applicable only to stepchild relationships on or before the stepchild's 18^{th} birthday.

SB473 will affect inheritance revenue only in the last half of fiscal 2001. The definitional change would have occurred on July 1, 1999. There are 18 months between the time a decedent dies and the deadline for filing inheritance taxes and thus impact of the extension of the previous law definition will not take place until January 1, 2001. The one-half year impact in fiscal 2001 is expected to be a decrease in inheritance revenue of $290,649, and the long term effect is expected to be around $600,000 per year.

Table 1
Inheritance Tax -- Legislation Passed by 56th Legislature
Estimated General Fund Impact for the 2001 Biennium

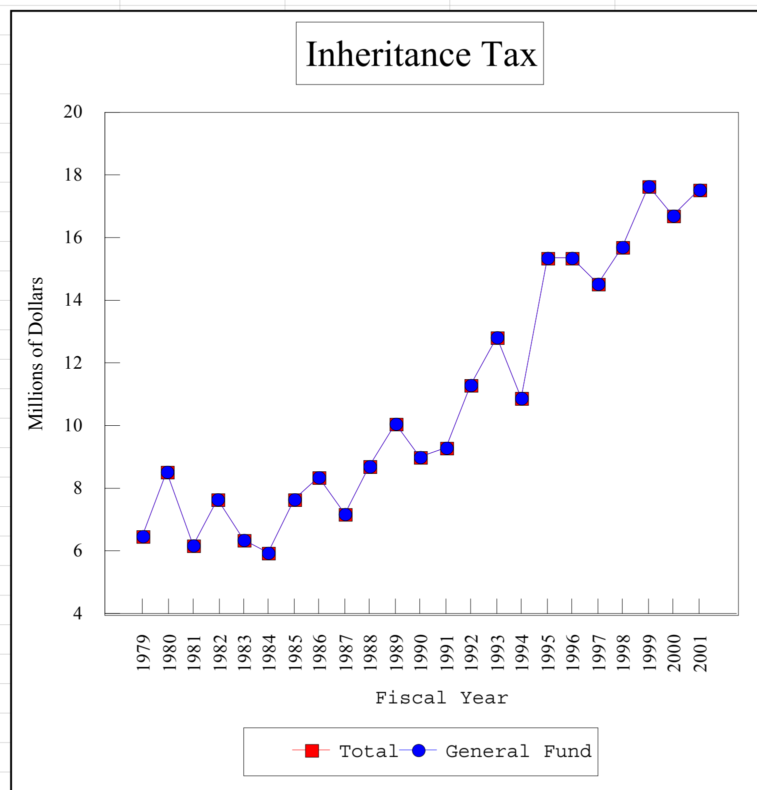
		--------Est Gain/Loss------	
Bill No.	Short Title	FY2000	FY2001
SB 473	Generally revise laws relating to estates, trusts, and fiduciary relationships	$0	($290,649)

INHERITANCE TAX

Revenue Projection

The table and graphic below present the historical and projected revenue collections for the inheritance tax.

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1979	6.490196	6.490196	
A	1980	8.537242	8.537242	31.54%
A	1981	6.195069	6.195069	-27.43%
A	1982	7.680529	7.680529	23.98%
A	1983	6.398489	6.398489	-16.69%
A	1984	5.960471	5.960471	-6.85%
A	1985	7.656622	7.656622	28.46%
A	1986	8.364764	8.364764	9.25%
A	1987	7.212092	7.212092	-13.78%
A	1988	8.745457	8.745457	21.26%
A	1989	10.091548	10.091548	15.39%
A	1990	9.049129	9.049129	-10.33%
A	1991	9.339854	9.339854	3.21%
A	1992	11.338204	11.338204	21.40%
A	1993	12.869460	12.869460	13.51%
A	1994	10.885745	10.885745	-15.41%
A	1995	15.382449	15.382449	41.31%
A	1996	15.404110	15.404110	0.14%
A	1997	14.562382	14.562382	-5.46%
A	1998	15.726605	15.726605	7.99%
F	1999	17.679000	17.679000	12.41%
F	2000	16.733000	16.733000	-5.35%
F	2001	17.587000	17.587000	5.10%



Revenue Description

Video gaming income is derived from two sources: license fees and video tax revenue. There are three types of license fees that generate revenue. Fees are paid by operators for both video gaming machines and for non-video games such as live poker. In addition, persons pay an annual fee for the right to assemble, produce, or manufacture video gambling machines or associated equipment. Video tax revenue is paid by licensed operators of video gambling machines. License holders are charged a tax of 15 percent of the gross income from each video gambling machine licensed. The Department of Justice issues video gaming licenses and permits and collects the fees and taxes.

Applicable Tax Rate(s)

License Fees

License fees vary according to the type of machine and the type of game (i.e., poker, keno, bingo, etc.).

The license fee paid by each video gambling machine manufacturer is $1,000 annually.

Video Tax

15.0 percent of gross income per video gaming machine.

Distribution

License Fees

A portion of license fee revenue is retained by the Department of Justice to cover administrative costs. The remainder is distributed to local governments.

Video Tax

One-third of video gaming tax receipts are deposited into the general fund.

Two-thirds of tax receipts are transferred to local governments.

Summary of Legislative Action

Table 1 summarizes the legislation passed by the 56th Legislature that impacts video gaming tax collections. A brief narrative describing each bill follows Table 1.

HB109 – Beginning upon passage, HB109 authorizes the Department of Justice to install an Automated Accounting and Reporting System (AARS) that will allow operators to connect with the department for reporting and payment of the video gaming gross income tax. The system is expected to be operational by April 1, 2001. Operators who connect with AARS will receive a one time credit of $250 against the gross income tax liability for costs associated with upgrading video gambling equipment. The tax credit is expected to reduce video gambling revenue by $2.6 million beginning in the first quarter of fiscal 2002. The tax credit will reduce revenues before distribution to the state and local governments.

AARS is expected to increase video gambling revenue beginning April 1, 2001 by $1.1 million per year due to greater efficiencies and better reporting of gambling machine gross revenues. The state's share of this revenue increase, or one-third, will be $375,000, of which the state will receive one-quarter's worth in fiscal 2001. In fiscal 2002, the state is expected to receive the full $375,000 in additional tax revenue, but its share of the tax credit

Table 1
Video Gaming Tax -- Legislation Passed by 56th Legislature
Estimated General Fund Impact for the 2001 Biennium

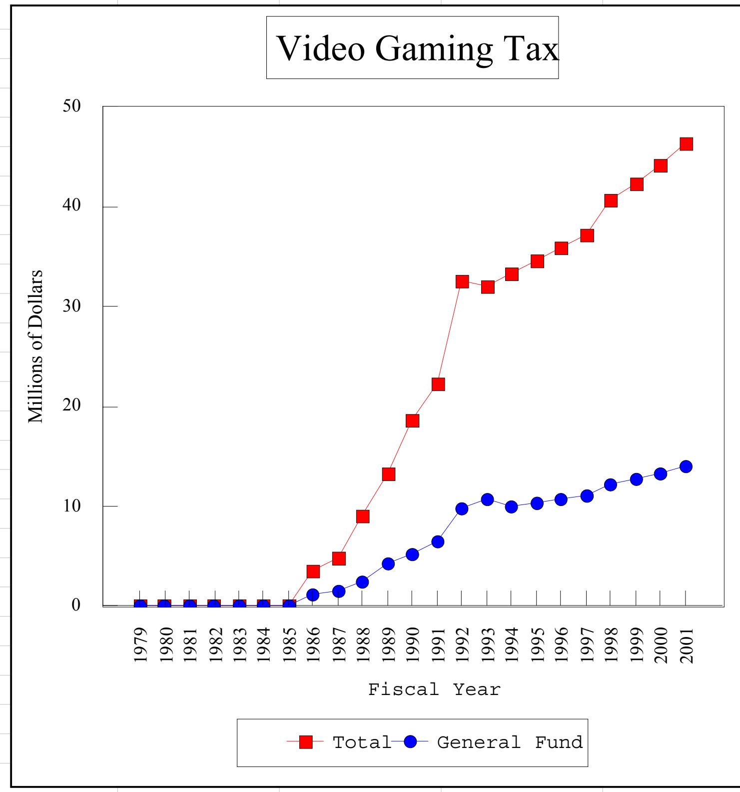
		--------Est Gain/Loss------	
Bill No.	Short Title	FY2000	FY2001
HB 109	Allow Dept of Justice automated video gambling, accounting and reporting system	$0	$94,000

will cause a reduction in revenue of $858,000. In fiscal 2003, revenues will increase by $375,000 with offsetting revenue reduction due to the tax credit.

Revenue Projection

The table and graphic below present the historical and projected revenue collections for the video gaming tax.

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1979	0.000000	0.000000	
A	1980	0.000000	0.000000	Not App.
A	1981	0.000000	0.000000	Not App.
A	1982	0.000000	0.000000	Not App.
A	1983	0.000000	0.000000	Not App.
A	1984	0.000000	0.000000	Not App.
A	1985	0.000000	0.000000	Not App.
A	1986	3.497502	1.107659	Not App.
A	1987	4.787747	1.516279	36.89%
A	1988	9.046068	2.561170	68.91%
A	1989	13.375319	4.249364	65.91%
A	1990	18.625011	5.302840	24.79%
A	1991	22.349233	6.551179	23.54%
A	1992	32.680802	9.875213	50.74%
A	1993	32.058946	10.818364	9.55%
A	1994	33.453057	9.955424	-7.98%
A	1995	34.741154	10.346068	3.92%
A	1996	35.846067	10.666089	3.09%
A	1997	37.132691	11.073315	3.82%
A	1998	40.799673	12.256082	10.68%
F	1999	42.295000	12.748000	4.01%
F	2000	44.217000	13.389000	5.03%
F	2001	46.419000	14.124000	5.49%



MOTOR VEHICLE FEES

Revenue Description

In accordance with statute, the state assesses a variety of motor vehicle fees, such as: vehicle registration fees, fees for the filing of motor vehicle liens, fees for license plates, title fees, and a motor vehicle computer fee. The fees vary according to the type of vehicle (i.e., motor vehicle, snowmobile, etc.) and the type of license plate (regular, personal, military, etc.).

Applicable Tax Rate(s)

Various.

Distribution

Motor vehicle fees are allocated to the general fund, to state special revenue accounts, and to local governments.

Summary of Legislative Action

Table 1 summarizes the legislation passed by the 56th legislature that impacts motor vehicle fees. A brief narrative describing each bill follows Table 1.

HB 648 – Beginning January 1, 2000, HB 648 requires the Department of Justice to begin issuing new motor vehicle license plates to those owners who are required to renew them. The fee charged for new plates is $2 per plate. General fund revenue will increase by $1.2 million in each year of the biennium.

SB 137 – Beginning January 1, 2000, SB137 authorizes new issue plates for military personnel in Montana. The fiscal impact is expected to be minimal.

Table 1
Motor Vehicle Fees -- Legislation Passed by 56th Legislature
Estimated General Fund Impact for the 2001 Biennium

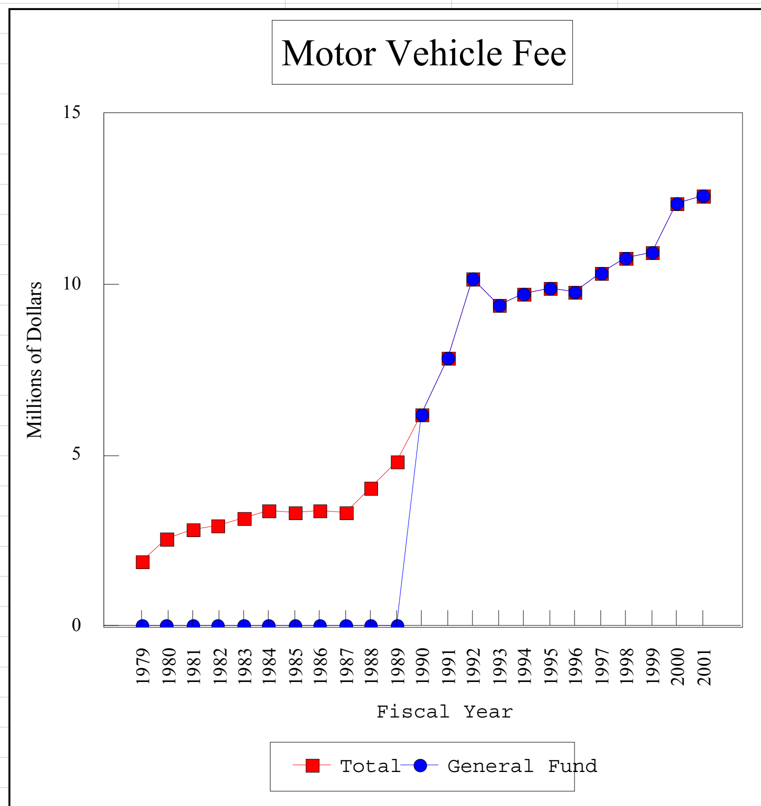
		--------Est Gain/Loss-----	
Bill No.	Short Title	FY2000	FY2001
HB 648	Issue new license plates every 4 years	$1,200,000	$1,200,000
SB 137	Amend statutes relevant to veterans' license plates bill	251	0
	Total Estimated General Fund Impact	$1,200,251	$1,200,000

MOTOR VEHICLE FEES

Revenue Projection

The table and graphic below present the historical and projected revenue collections for motor vehicle fees.

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1979	1.886948	0.000000	
A	1980	2.572515	0.000000	Not App.
A	1981	2.833222	0.000000	Not App.
A	1982	2.950899	0.000000	Not App.
A	1983	3.178901	0.000000	Not App.
A	1984	3.399886	0.000000	Not App.
A	1985	3.342315	0.000000	Not App.
A	1986	3.401138	0.000000	Not App.
A	1987	3.332350	0.000000	Not App.
A	1988	4.055326	0.000000	Not App.
A	1989	4.832959	0.000000	Not App.
A	1990	6.207916	6.207916	Not App.
A	1991	7.845076	7.845076	26.37%
A	1992	10.151949	10.151949	29.41%
A	1993	9.381736	9.381736	-7.59%
A	1994	9.720928	9.720928	3.62%
A	1995	9.896182	9.896182	1.80%
A	1996	9.800870	9.800870	-0.96%
A	1997	10.315257	10.315257	5.25%
A	1998	10.778306	10.778306	4.49%
F	1999	10.957000	10.957000	1.66%
F	2000	12.391000	12.391000	13.09%
F	2001	12.606000	12.606000	1.74%



PUBLIC INSTITUTION REIMBURSEMENTS

Revenue Description

The Department of Public Health and Human Services (DPHHS) receives reimbursement for the cost of sheltering and treating residents at the Montana Developmental Center (MDC), the Eastmont Human Services Center (EHSC), the Montana Mental Health Nursing Care Center (formerly called Center for the Aged), the Montana State Hospital (MSH), the Montana Chemical Dependency Center (MCDC), and the Montana Veterans' Home. There are four primary sources of reimbursement income: 1) state and federally matched Medicaid monies; 2) insurance proceeds from companies by whom the resident is insured; 3) payments by residents or persons legally responsible for them; and 4) federal Medicare funds. Most of the reimbursements come from federal Medicaid payments.

Three variables determine the level of Medicaid nursing home payments: 1) the number of patient days eligible for Medicaid reimbursement; 2) the reimbursement rate per patient day; and 3) the private resources of Medicaid patients.

Applicable Tax Rate(s)

N/A

Distribution

Prior to fiscal 1998, all revenue collected from these sources was deposited in the general fund except for debt service payments for the MDC facilities renovation. However, the distribution has changed in accordance with managed care contracts entered into by the state. Medical payments for recipients of mental health care services are now provided to the managed care contractor. Previously they were deposited directly into the general fund. In addition, debt service payments will be deducted for bonds issued to fund the construction of a new Montana State Hospital. Reimbursements received for the Veterans' Home and the MCDC are deposited into state special revenue accounts and are appropriated to the institution(s).

Summary of Legislative Action

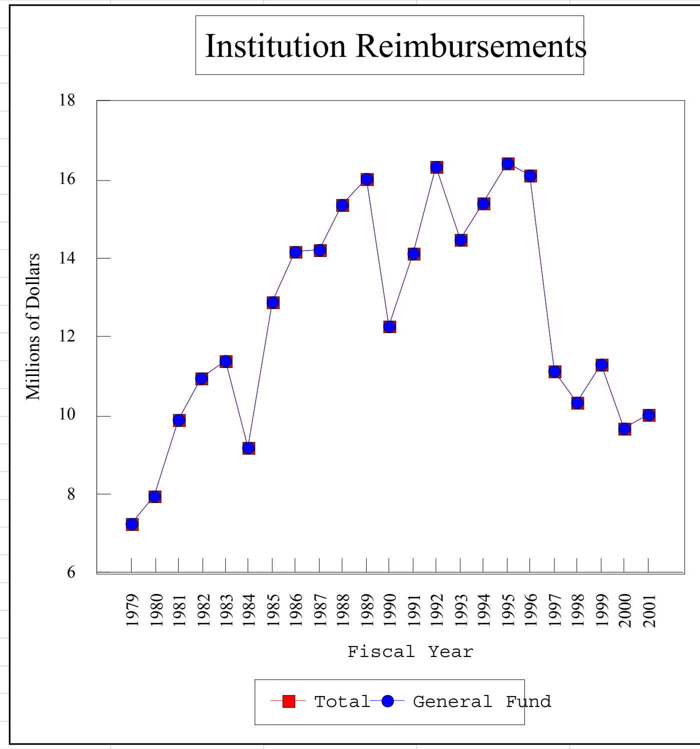
The 56th Legislature did not enact legislation that impacted this general fund revenue source.

Revenue Projection

The table and graphic below present the historical and projected revenue collections for public institution reimbursements.

PUBLIC INSTITUTION REIMBURSEMENTS

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1979	7.264924	7.264924	
A	1980	7.981975	7.981975	9.87%
A	1981	9.899562	9.899562	24.02%
A	1982	10.974196	10.974196	10.86%
A	1983	11.406505	11.406505	3.94%
A	1984	9.179921	9.179921	-19.52%
A	1985	12.895427	12.895427	40.47%
A	1986	14.166104	14.166104	9.85%
A	1987	14.215767	14.215767	0.35%
A	1988	15.395310	15.395310	8.30%
A	1989	16.031423	16.031423	4.13%
A	1990	12.284668	12.284668	-23.37%
A	1991	14.140931	14.140931	15.11%
A	1992	16.329459	16.329459	15.48%
A	1993	14.486422	14.486422	-11.29%
A	1994	15.414542	15.414542	6.41%
A	1995	16.455809	16.455809	6.76%
A	1996	16.141901	16.141901	-1.91%
A	1997	11.158482	11.158482	-30.87%
A	1998	10.335336	10.335336	-7.38%
F	1999	11.314000	11.314000	9.47%
F	2000	9.697000	9.697000	-14.29%
F	2001	10.041000	10.041000	3.55%



CIGARETTE TAX

Revenue Description

The cigarette tax is an excise tax imposed on all cigarettes sold or possessed in Montana. The tax is imposed on the retail consumer but is collected by wholesalers or retailers through the use of tax insignia. The insignia are purchased from the state and affixed to each package of cigarettes. The tax does not apply to quota cigarettes sold on an Indian reservation. In practice, the tax is levied on all cigarettes and the wholesaler receives a refund for the amount within the quota which have been sold within the boundaries of an Indian reservation. Each tribe's quota is equal to 150.0 percent of the national average for individual consumption of cigarettes multiplied by the enrolled tribal member population, or any other amount agreed to in a state-tribal agreement. The state has agreements with five tribes in Montana.

Applicable Tax Rate(s)

Wholesalers pay a license fee of $50.00 and each retailer pays a license fee of $5.00. License fees are renewable each year and are non-transferable.

The excise tax on cigarettes is $.18 per twenty-cigarette pack. When a pack contains more than 20 cigarettes, the tax is prorated at 1/20th of $.18 for each cigarette in excess of 20 cigarettes.

Distribution

All wholesaler and retailer license fees are deposited in the general fund. After deductions for tribal refunds, the cigarette tax distribution is:

11.11% - DPHHS for veterans' nursing home operation and maintenance
73.04% - General Fund
15.85% - Long-Range Building Program

Summary of Legislative Action

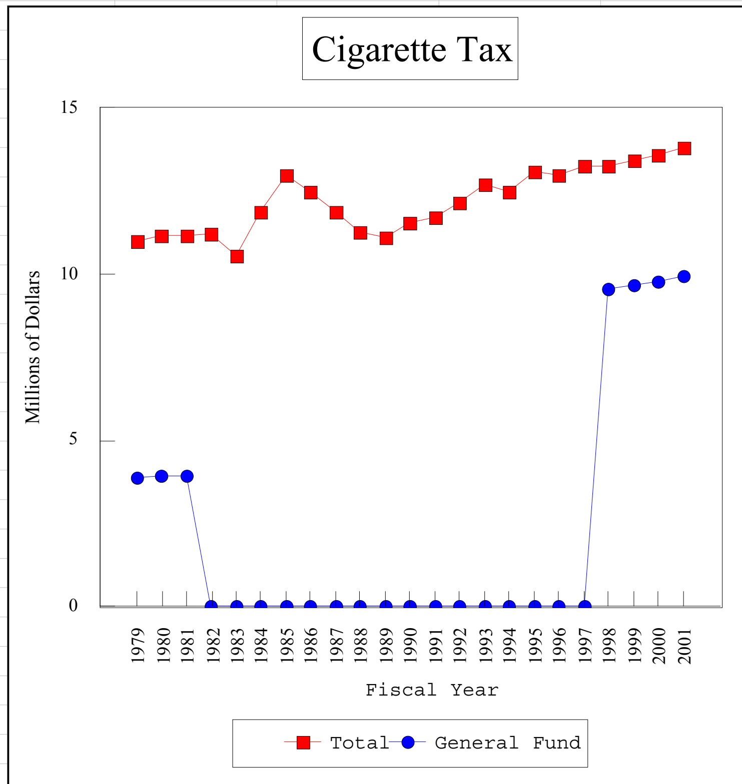
The 56th Legislature did not enact legislation that impacted this general fund revenue source.

Revenue Projection

The table and graphic below present the historical and projected revenue collections for the cigarette tax.

CIGARETTE TAX

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1979	10.996442	3.911434	
A	1980	11.153885	3.967437	1.43%
A	1981	11.162441	3.970480	0.08%
A	1982	11.233044	0.000000	-100.00%
A	1983	10.580701	0.000000	Not App.
A	1984	11.902317	0.000000	Not App.
A	1985	12.981436	0.000000	Not App.
A	1986	12.466822	0.000000	Not App.
A	1987	11.894715	0.000000	Not App.
A	1988	11.278326	0.000000	Not App.
A	1989	11.113087	0.000000	Not App.
A	1990	11.567081	0.000000	Not App.
A	1991	11.733190	0.000000	Not App.
A	1992	12.172864	0.000000	Not App.
A	1993	12.698195	0.000000	Not App.
A	1994	12.495504	0.000000	Not App.
A	1995	13.114640	0.000000	Not App.
A	1996	12.969138	0.000000	Not App.
A	1997	13.267373	0.000000	Not App.
A	1998	13.244550	9.543855	Not App.
F	1999	13.427331	9.676000	1.38%
F	2000	13.614571	9.810000	1.38%
F	2001	13.802391	9.946000	1.39%



COAL SEVERANCE TAX

Revenue Description

For large producers, the coal severance tax is imposed on all coal production in excess of 20,000 tons per company per calendar year. However, producers of 50,000 tons or less in any calendar year are exempt from the tax.

Applicable Tax Rate(s)

10.0% - on coal with a heating quality < 7,000 BTU

15.0% - on coal with a heating quality ≥ 7,000 BTU

Distribution

(percents)

Account Name	Fiscal 1998-1999	Fiscal 2000-2007
Permanent Trust	25.000	0.000
Treasure State Endowment	25.000	37.500
TSEF Regional Water	0.000	12.500
General Fund	25.250	26.790
LRBP - Cash Account	12.000	12.000
LRBP - Debt Service	1.300	0.000
Park Acquisition Trust	1.270	1.270
Arts Trust	0.000	0.630
Cultural & Aesthetic Projects	0.870	0.000
Water Development	0.950	0.950
Other Accounts:	8.360	8.360
Local Impact		
County Land Planning		
Agriculture Act		
State Library		
Conservation Districts		

Summary of Legislative Action

Table 1 summarizes the legislation passed by the 56th legislature that impacts coal severance tax collections. A brief narrative describing each bill follows Table 1.

HB 260 – Beginning July 1, 1999, HB260 imposes a new coal license tax on the contract sales price of coal and reduces the coal severance tax liability for coal producers by allowing a credit against the coal severance tax in the amount of 101.5 percent of coal license tax liability. Thus coal producers will realize a reduction of 1.5 percent in tax liability on coal production.

The total reduction in coal severance tax collections is expected to be $20.7 million in fiscal 2000 and $19.64 million in fiscal 2001. The new coal license tax will generate $20.4 million in fiscal 2000 and $19.3 in fiscal 2001.

The legislation, in combination with HB69 and SB220, provides a new distribution of coal severance taxes and specifies a distribution for the new coal license tax. (See Coal Trust Interest Earnings for a table which shows this).

Coal severance revenue deposited in the general fund will be reduced by $5.1 million in fiscal 2000 and by $4.9 million in fiscal 2001. Coal license tax revenue deposited in the general fund will be $4.9 million in fiscal 2000 and $4.6 million in fiscal 2000. The net loss in combined coal revenue to the general fund is therefore $170,679 in fiscal 2000 and $253,650 in fiscal 2001 (See table in coal trust interest of the revenue section)

Table 1
Coal Severance Tax -- Legislation Passed by 56th Legislature
Estimated General Fund Impact for the 2001 Biennium

		---------Est Gain/Loss------	
Bill No.	Short Title	FY2000	FY2001
HB 260	Encouraage economic development via investment in research/commercial projects	($170,679)	($253,650)

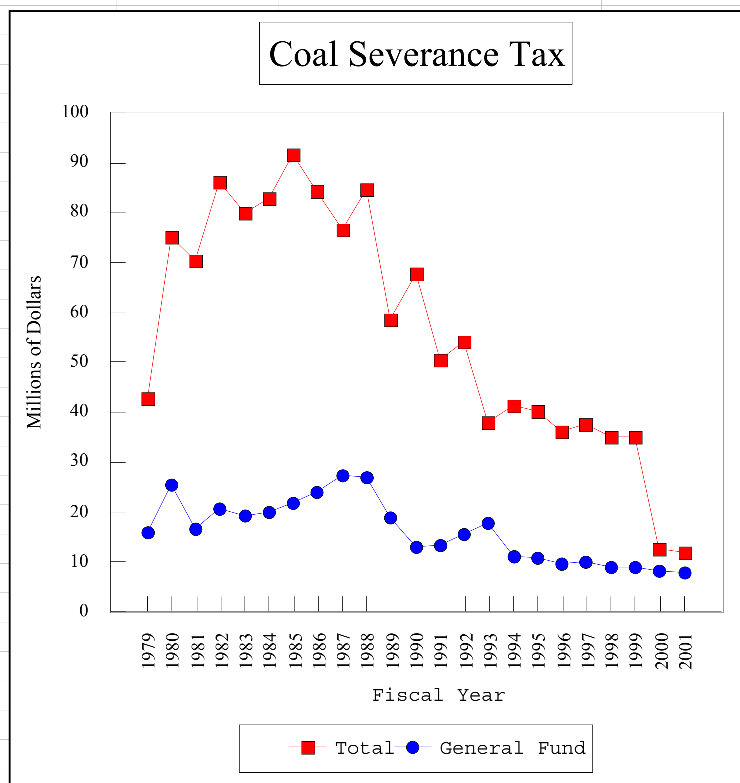
HB69 – Beginning July 1, 1999, HB69 eliminates the distribution of severance tax revenue to the long range building debt service account that was used to pay bonds issued for the purchase of Virginia City and Nevada City property. Long range bond excess revenue in the general fund will be reduced by $171,458 in fiscal 2000 and by $167,398 in fiscal 2001.

SB220 – Beginning July 1, 1999, SB220 creates a new treasure state endowment regional water system fund into which will be deposited 25 percent of one half of all coal severance receipts.

Revenue Projection

The table and graphic below present the historical and projected revenue collections for the coal severance tax.

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1979	42.689164	16.008492	
A	1980	75.125009	25.432649	58.87%
A	1981	70.415073	16.899657	-33.55%
A	1982	86.186886	20.684883	22.40%
A	1983	80.045016	19.210830	-7.13%
A	1984	82.823427	19.877640	3.47%
A	1985	91.748855	22.019726	10.78%
A	1986	84.217223	24.212459	9.96%
A	1987	76.546602	27.394944	13.14%
A	1988	84.638333	27.177382	-0.79%
A	1989	58.565583	18.805414	-30.80%
A	1990	67.870544	13.024366	-30.74%
A	1991	50.457848	13.517663	3.79%
A	1992	54.114107	15.778084	16.72%
A	1993	38.181298	17.744422	12.46%
A	1994	41.200704	11.046468	-37.75%
A	1995	40.416416	10.827741	-1.98%
A	1996	36.260949	9.714308	-10.28%
A	1997	37.740212	10.110603	4.08%
A	1998	35.045243	8.848924	-12.48%
F	1999	35.065000	8.854000	0.06%
F	2000	12.560000	8.309000	-6.16%
F	2001	11.908000	7.787000	-6.28%



Revenue Description

The oil production tax is imposed on the production of petroleum and other mineral or crude oil in the state. Gross taxable value of oil production is based on the type of well and type of production.

Applicable Tax Rate(s)

The oil production tax has numerous tax rates and distribution percentages depending on several factors. These factors include whether the oil is produced from a stripper well, an incentive well, from a well initially drilled before July 1, 1985, from a well newly drilled within the last year, and whether the interest being taxed is the working interest or the royalty interest. The table on the next page shows tax rates and distribution percentages for each type of pre-1985 oil and post-1985 oil.

Distribution

Once the oil production tax has been collected, it is divided into a local share and a state share. The state share is further allocated to the general fund, the resource indemnity account, and a state special revenue account for use by the Board of Oil and Gas Conservation. Specific distribution percentages are found in the table on the following page.

Summary of Legislative Action

Table 1 summarizes the legislation passed by the 56th legislature that impacts oil severance tax collections. A brief narrative describing each bill follows Table 1.

SB530 – Beginning January 1, 2000, SB530 eliminates the distinction between pre-1985 and post-1985 production in oil and natural gas taxation and repeals the unit value calculation that has been used to distribute taxes from pre-1985 wells. Tax year 1999 is a transition year; the pre- and post-1985 distinction is eliminated effective January 1, 2000. SB 530 creates a new distinction between pre- and post-1999 production and adjusts the tax rates for many of the categories of oil and gas production. SB 530 allocates to the state all of the production taxes paid by working interests on new oil and gas production in the first 12 (or, in some cases, 18) months of production (i.e. during the "tax holiday" period).

Effective January 1, 2000, oil and gas production taxes are distributed to counties based on taxes received from production in the county. The county treasurer allocates the taxes to taxing units based on prior year mills, including the 95 mills for schools and 6 mills for the university system. SB 530 is expected to reduce oil and natural gas fund revenues by $89,483 in fiscal 2000, and by $217,673 in fiscal 2000. The amount of this revenue reduction which is for oil and for natural gas is unknown. These estimates include the state's 95 mill share of the local distribution.

SB 530 repeals references to the local government severance tax on calendar 1995 production. School districts may not carry these tax payments in excess general fund reserves after January 1, 2000.

HB 658 – For oil production produced after June 30, 1999, HB 658 creates a new category of oil production called "stripper well exemption." Any stripper well that produces 3 barrels of oil a day or less falls into this

Table 1
Oil Production Tax -- Legislation Passed by 56th Legislature
Estimated General Fund Impact for the 2001 Biennium

Bill No.	Short Title	---------Est Gain/Loss------ FY2000	FY2001
HB 658	Revise local government severance tax to include "stripper well exemption"	($135,223)	($146,761)
HB 661	Revise taxation of oil production from a stripper wwell	(493,003)	(541,807)
SB 530	Generally revise the taxation of oil and natural gas production	(89,483)	(217,673)
	Total Estimated General Fund Impact	($717,709)	(906,241

Oil and Natural Gas Tax Rates and Revenue Distribution

TY2000 and Beyond - SB530, HB658, HB661

		State/Local Distribution		State Share Distribution		
Oil Production	Tax Rate	Local Share	State Share	RITT Share	P&L Share	Gen. Fund Share
Pre-99 Working Interest						
Regular	12.80%	60.70%	39.30%	8.62%	5.17%	86.21%
Stripper - 1st 10 barrels	5.80%	86.20%	13.80%	62.50%	37.50%	0.00%
Stripper - more than 10 barrels	9.30%	60.70%	39.30%	8.62%	5.17%	86.21%
Stripper Exemption	0.80%	0.00%	100.00%	62.50%	37.50%	0.00%
Secondary Incremental	8.80%	60.70%	39.30%	8.62%	5.17%	86.21%
Tertiary Incremental	6.10%	60.70%	39.30%	8.62%	5.17%	86.21%
Horizontal: 0-18 Mths	0.80%	0.00%	100.00%	62.50%	37.50%	0.00%
Horizontal: after 18 Mths	12.80%	60.70%	39.30%	8.62%	5.17%	86.21%
Horizontal: Recompleted; 0-18 Mths	5.80%	0.00%	100.00%	62.50%	37.50%	0.00%
Horizontal: Recompleted; Aft 18 Mths	12.80%	60.70%	39.30%	8.62%	5.17%	86.21%
Post-99 Working Interest						
New : 0-12 Mths	0.80%	0.00%	100.00%	62.50%	37.50%	0.00%
Regular	9.30%	60.70%	39.30%	8.62%	5.17%	86.21%
Stripper - 1st 10 barrels	5.80%	86.20%	13.80%	62.50%	37.50%	0.00%
Stripper - more than 10 barrels	9.30%	60.70%	39.30%	8.62%	5.17%	86.21%
Stripper Exemption	0.80%	0.00%	100.00%	62.50%	37.50%	0.00%
Secondary Incremental	8.80%	60.70%	39.30%	8.62%	5.17%	86.21%
Tertiary Incremental	6.10%	60.70%	39.30%	8.62%	5.17%	86.21%
Horizontal: 0-18 Mths	0.80%	0.00%	100.00%	62.50%	37.50%	0.00%
Horizontal: after 18 Mths	9.30%	60.70%	39.30%	8.62%	5.17%	86.21%
Horizontal: Recompleted; 0-18 Mths	5.80%	0.00%	100.00%	62.50%	37.50%	0.00%
Horizontal: Recompleted; Aft 18 Mths	9.30%	60.70%	39.30%	8.62%	5.17%	86.21%
All Oil Royalties	15.10%	60.70%	39.30%	8.62%	5.17%	86.21%
Natural Gas Production	Tax Rate	Local Share	State Share	RITT Share	P&L Share	Gen. Fund Share
Pre-99 Working Interest						
Regular after 12 Months	15.10%	86.00%	14.00%	14.50%	8.70%	76.80%
Stripper	11.30%	86.00%	14.00%	14.50%	8.70%	76.80%
Post-99 Working Interest						
New : 0-12 Months	0.80%	0.00%	100.00%	62.50%	37.50%	0.00%
Regular after 12 Months	9.30%	86.00%	14.00%	14.50%	8.70%	76.80%
Stripper	9.30%	86.00%	14.00%	14.50%	8.70%	76.80%
New Horizontal 0-18 Months	0.80%	0.00%	100.00%	62.50%	37.50%	0.00%
Horizontal after 18 months	9.30%					
All Natural Gas Royalties	15.10%	86.00%	14.00%	14.50%	8.70%	76.80%

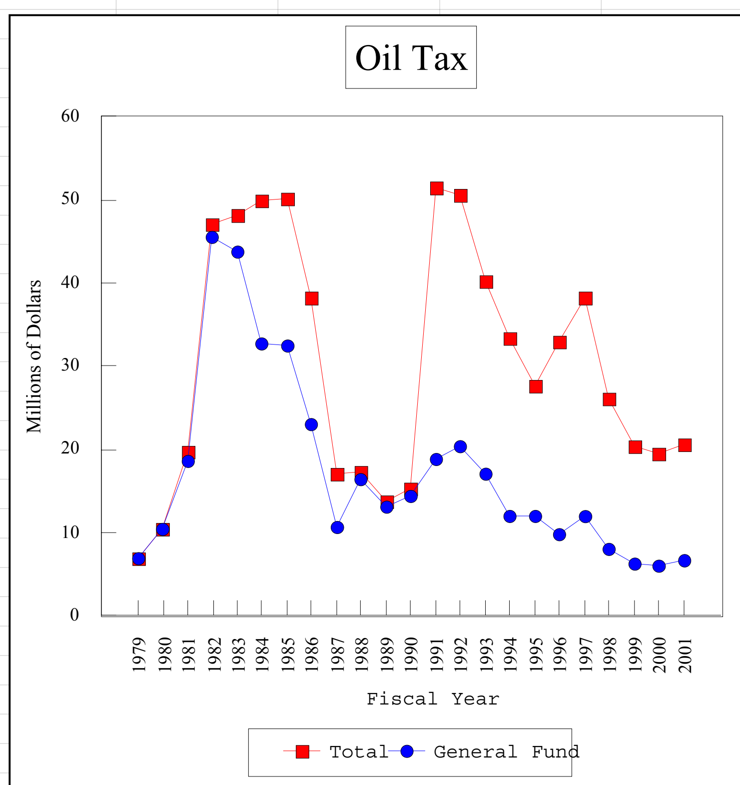
category. The "stripper incentive" is eliminated. Production from wells producing 3 barrels or less per day is taxed at 0.5 percent of the gross taxable value of production for working interests and 14.8 percent for non-working interests. Schools and counties do not receive any of the taxes collected from working interests in the stripper well exemption category. The bill is expected to reduce oil production tax revenue to the general fund by $135,223 in fiscal 2000 and by $146,761 in fiscal 2001.

HB 661 - for oil production produced after June 30, 1999, HB661 increases the maximum number of barrels that an oil well can produce in a day and still be classified as a stripper well from 10 to 15. The tax rate on the first 10 barrels of production is set at 5.8 percent of the gross taxable value of production. The tax rate on production greater than 10 barrels is 9.3 percent. Non-working interests are taxed at 15.1 percent. HB 661 eliminates the distinction between stripper oil production from pre-1985 and post-1985 wells. The bill is expected to reduce oil production tax revenue to the general fund by $493,003 in fiscal 2000 and by $541,807 in fiscal 2001.The three bills in combination will produce two tax rate regimes in calendar 1999 and then a third regime in calendar 2000 and beyond. In calendar 1999, between January 1 and December 31, a post-1999 category will be added to the pre-1985 and post-1985 categories. Between July 1 and December 31, the new stripper definition distinguishes between wells producing 10 barrels per day and wells producing between 10 and 15 barrels per day. In addition, during the same period, the new stripper well exemption will be in effect. Beginning on January 1, 2000, these later definitions remain in force, and the pre-1985 and post-1985 distinctions are dropped and a pre-1999 category of oil and natural gas goes into effect.

Revenue Projection

The table and graphic below present the historical and projected revenue collections for the oil severance tax.

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1979	7.056573	7.056573	
A	1980	10.544555	10.544555	49.43%
A	1981	19.646958	18.654469	76.91%
A	1982	47.117535	45.473425	143.77%
A	1983	48.141445	43.787960	-3.71%
A	1984	50.002206	32.686014	-25.35%
A	1985	50.212317	32.526656	-0.49%
A	1986	38.357103	23.152504	-28.82%
A	1987	17.159254	10.762412	-53.52%
A	1988	17.263010	16.484059	53.16%
A	1989	13.854902	13.234516	-19.71%
A	1990	15.261870	14.510149	9.64%
A	1991	51.407045	18.885901	30.16%
A	1992	50.596822	20.427115	8.16%
A	1993	40.259237	17.037621	-16.59%
A	1994	33.411917	12.092690	-29.02%
A	1995	27.783958	12.026682	-0.55%
A	1996	33.076501	9.730037	-19.10%
A	1997	38.276996	12.067980	24.03%
A	1998	26.041066	8.146371	-32.50%
F	1999	20.375000	6.392000	-21.54%
F	2000	19.460000	6.050000	-5.35%
F	2001	20.712000	6.625000	9.50%



Revenue Description

The Montana state lottery was enacted by legislative referendum and became effective January 1, 1987. The first lottery game was launched in June 1987. A lottery is generally defined as “any procedure in which one or more prizes are distributed among persons who have paid for a chance to win a prize.” The games are administered by the Department of Commerce. By law, a minimum of 45.0 percent of the money paid for tickets or chances must be paid out as prize money.

Lottery revenue is derived from ticket sales, license fees, and unclaimed prizes. Revenue is initially deposited into an enterprise fund known as the state lottery fund.

Applicable Tax Rate(s)

There is no actual tax rate involved. However, license applicants are charged a $50.00 fee to cover the cost of investigating and processing the applications.

Distribution

All gross lottery revenue not used for prizes, commissions, and operating expenses, together with the interest earned (on the gross revenue while the gross revenue is in the enterprise fund), is considered net revenue. This net revenue is transferred to the general fund.

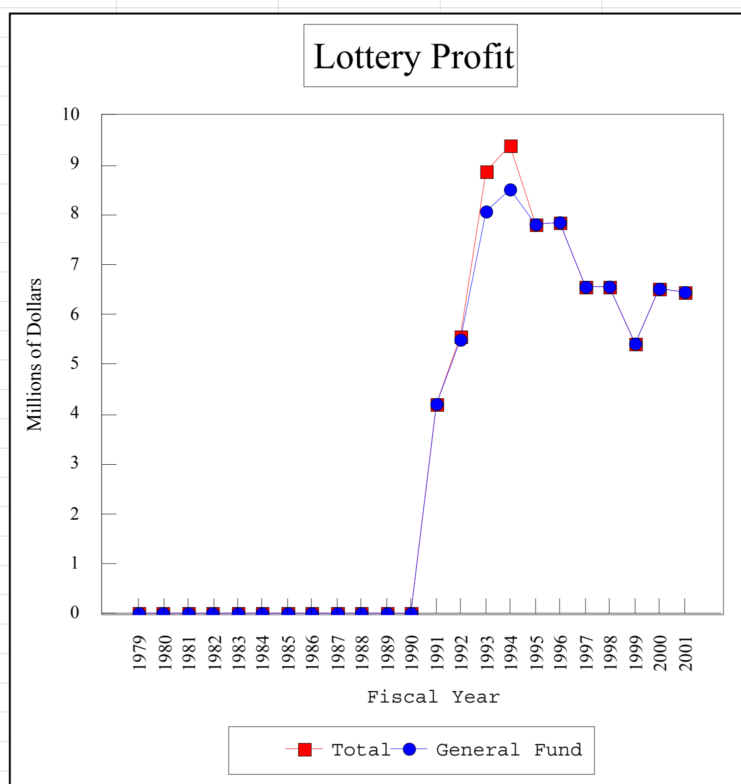
Summary of Legislative Action

SB 55 - Beginning with fiscal 2002, SB 55 subjects the lottery enterprise fund to appropriation. This could impact future transfers to the general fund.

Revenue Projection

The table and graphic below present the historical and projected revenue collections for lottery profits.

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1979	0.000000	0.000000	
A	1980	0.000000	0.000000	Not App.
A	1981	0.000000	0.000000	Not App.
A	1982	0.000000	0.000000	Not App.
A	1983	0.000000	0.000000	Not App.
A	1984	0.000000	0.000000	Not App.
A	1985	0.000000	0.000000	Not App.
A	1986	0.000000	0.000000	Not App.
A	1987	0.000000	0.000000	Not App.
A	1988	0.000000	0.000000	Not App.
A	1989	0.000000	0.000000	Not App.
A	1990	0.000000	0.000000	Not App.
A	1991	4.200337	4.200337	Not App.
A	1992	5.582834	5.493509	30.79%
A	1993	8.868627	8.061582	46.75%
A	1994	9.377235	8.523907	5.73%
A	1995	7.811958	7.811958	-8.35%
A	1996	7.858821	7.858821	0.60%
A	1997	6.553475	6.553475	-16.61%
A	1998	6.564337	6.564337	0.17%
F	1999	5.424000	5.424000	-17.37%
F	2000	6.537000	6.537000	20.52%
F	2001	6.464000	6.464000	-1.12%



LIQUOR EXCISE TAX

Revenue Description

The Department of Revenue (DOR) is authorized to sell liquor to retail liquor establishments throughout the state. These sales result in profits and taxes which are deposited in various state and local accounts. An excise tax is collected both on liquor sold by DOR and for liquor purchased outside the state, by airlines and railroads (carriers), for consumption within the state. The department also collects a license tax on the sale of liquor. A small portion of the excise tax revenue is returned to Indian tribes per an agreement with the Department of Revenue.

Applicable Tax Rate(s)

Excise Tax Rate:

> 16.0% of the retail selling price on all liquor sold and delivered in the state by a company that manufactured, distilled, rectified, bottled or processed, and sold more than 200,000 proof gallons of liquor nationwide in the calendar year preceding imposition of the tax.
>
> 13.8% of the retail selling price on all liquor sold and delivered in the state by a company that manufactured, distilled, rectified, bottled or processed, and sold not more than 200,000 proof gallons of liquor nationwide in the calendar year preceding imposition of the tax.

The amount of excise taxes paid by carriers includes additional factors related to departures and passenger miles.

License Tax Rate:

> 10.0% of the retail selling price on all liquor sold and delivered in the state by a company that manufactured, distilled, rectified, bottled or processed, and that sold more than 200,000 proof gallons of liquor nationwide in the calendar year preceding imposition of the tax.
>
> 8.6% of the retail selling price on all liquor sold and delivered in the state by a company that manufactured, distilled, rectified, bottled or processed, and that sold not more than 200,000 proof gallons of liquor nationwide in the calendar year preceding imposition of the tax.

The license tax must be charged and collected on all liquor brought into the state and taxed by DOR. The retail selling price must be computed by adding to the cost of the liquor the state markup as designated by the department. The license tax must be figured in the same manner as the state excise tax and is in addition to the state excise tax.

Distribution

The excise tax is deposited in the general fund.

License tax revenue is statutorily appropriated to DOR and then disbursed:

> 30.0% to counties who distribute the revenue to cities and towns based on the proportion of gross sale of liquor in each city or town to the gross sale of liquor in the county.
>
> 4.5% to counties based on the amount of liquor purchased in the county.
>
> 65.5% to the Department of Public Health and Human Services for alcohol treatment and rehabilitation programs, some of which is distributed to cities, towns, and counties.

Summary of Legislative Action

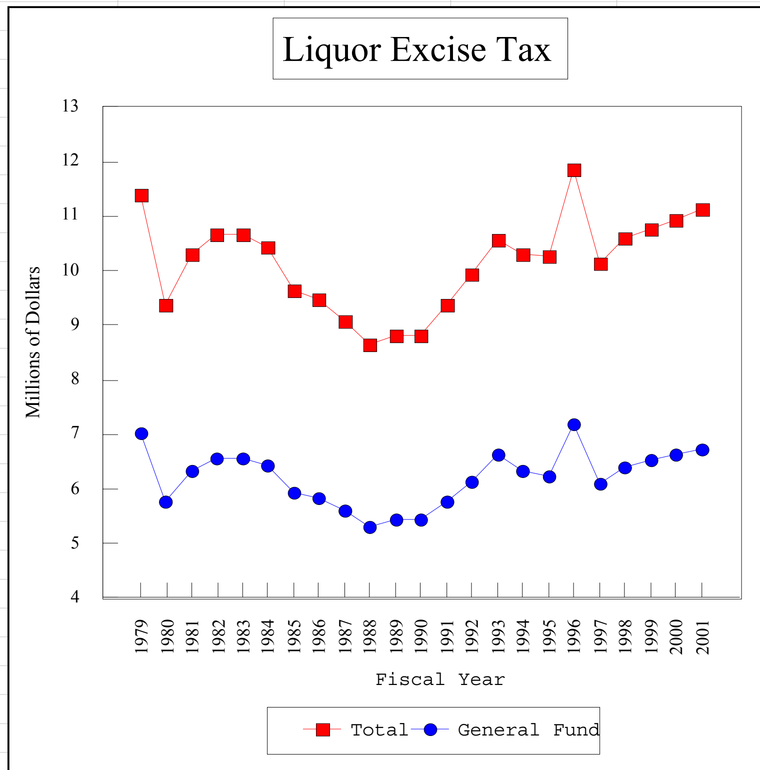
The 56th Legislature did not enact legislation that impacted this general fund revenue source.

Revenue Projection

The table and graphic below present the historical and projected revenue collections for the liquor excise tax.

LIQUOR EXCISE TAX

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1979	11.406432	7.022237	
A	1980	9.367704	5.764741	-17.91%
A	1981	10.300261	6.340958	10.00%
A	1982	10.675236	6.572066	3.64%
A	1983	10.655421	6.559727	-0.19%
A	1984	10.422641	6.415784	-2.19%
A	1985	9.642852	5.935058	-7.49%
A	1986	9.482576	5.836884	-1.65%
A	1987	9.079530	5.589174	-4.24%
A	1988	8.646707	5.322934	-4.76%
A	1989	8.819075	5.429220	2.00%
A	1990	8.814424	5.428076	-0.02%
A	1991	9.361042	5.759437	6.10%
A	1992	9.946010	6.122351	6.30%
A	1993	10.571520	6.645090	8.54%
A	1994	10.303391	6.323863	-4.83%
A	1995	10.255831	6.217993	-1.67%
A	1996	11.871701	7.202584	15.83%
A	1997	10.126391	6.106989	-15.21%
A	1998	10.585431	6.412379	5.00%
F	1999	10.760000	6.517000	1.63%
F	2000	10.945000	6.628000	1.70%
F	2001	11.134000	6.744000	1.75%



NURSING FACILITIES FEE

Revenue Description

Qualified nursing facilities are required to pay a utilization fee of $2.80 per bed day. Nursing facilities are health care facilities licensed by the Department of Public Health and Human Services and include those operated for profit or non-profit, freestanding or part of another health facility, and publicly or privately owned. According to federal definitions, nursing facilities do not include adult foster homes, retirement homes, and other alternative living arrangements. Bed days are defined as a 24-hour period in which a resident of a nursing facility is present in the facility or in which a bed is held for a resident while on temporary leave.

Applicable Tax Rate(s)

$2.80 per bed day

Distribution

All nursing facility fee revenue is deposited in the general fund.

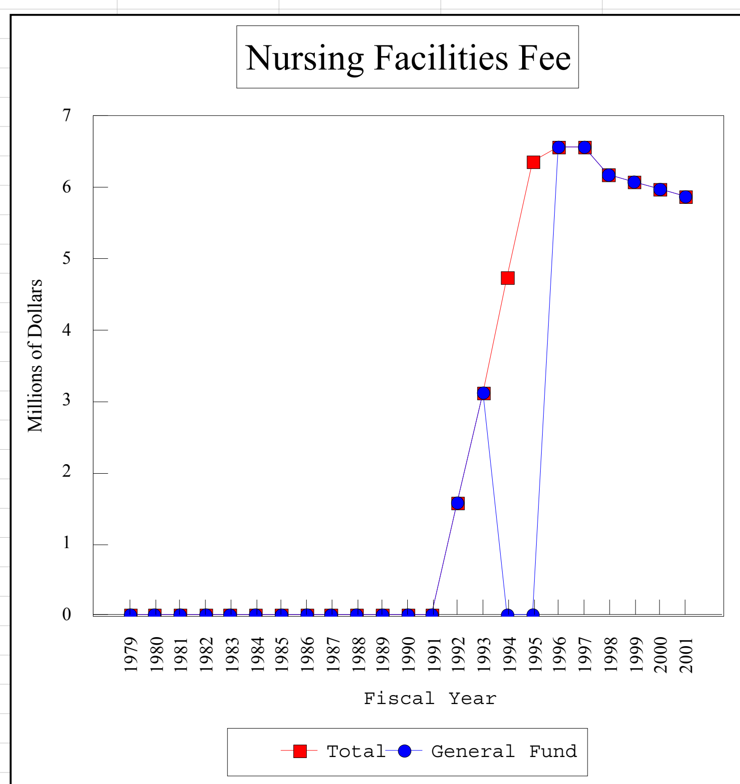
Summary of Legislative Action

The Fifty-sixth Legislature did not enact legislation that impacted this general fund revenue source.

Revenue Projection

The table and graphic below present the historical and projected revenue collections for the nursing facilities fee.

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1979	0.000000	0.000000	
A	1980	0.000000	0.000000	Not App.
A	1981	0.000000	0.000000	Not App.
A	1982	0.000000	0.000000	Not App.
A	1983	0.000000	0.000000	Not App.
A	1984	0.000000	0.000000	Not App.
A	1985	0.000000	0.000000	Not App.
A	1986	0.000000	0.000000	Not App.
A	1987	0.000000	0.000000	Not App.
A	1988	0.000000	0.000000	Not App.
A	1989	0.000000	0.000000	Not App.
A	1990	0.000000	0.000000	Not App.
A	1991	0.000000	0.000000	Not App.
A	1992	1.587432	1.587432	Not App.
A	1993	3.131331	3.131331	97.26%
A	1994	4.739832	0.000000	-100.00%
A	1995	6.364377	0.000000	Not App.
A	1996	6.579620	6.579620	Not App.
A	1997	6.572123	6.572123	-0.11%
A	1998	6.200413	6.200413	-5.66%
F	1999	6.090000	6.090000	-1.78%
F	2000	5.981000	5.981000	-1.79%
F	2001	5.874000	5.874000	-1.79%



TELEPHONE LICENSE TAX

Revenue Description

The telephone company license tax is levied on the gross income earned by any telephone business within the state, including the transmission of telephone messages by line or by microwave equipment.

Applicable Tax Rate(s):

An exemption is allowed for the first $250 of gross income earned each quarter. The current tax rate of 1.8% is applied to the adjusted gross income level. Gross income is dependent on the quantity of services provided and the price of the services offered.

Distribution

All proceeds are deposited into the general fund.

Summary of Legislative Action

Table 1 summarizes the legislation passed by the 56th legislature that impacts telephone license tax collections. A brief narrative describing each bill follows Table 1.

Table 1
Telephone License Tax -- Legislation Passed by 56th Legislature
Estimated General Fund Impact for the 2001 Biennium

		--------Est Gain/Loss------	
Bill No.	Short Title	FY2000	FY2001
HB 128	Generally revise taxation of telecommunications-telephone excise tax	$12,372,000	$25,936,000
HB 128	Generally revise taxation of telecommunications-telephone license tax	($3,172,000)	($6,650,000)
SB 172	Telephone license tax credit	0	(2,000,000)
SB 192	Clarify taxation of internet access services	(5,500)	0
	Total Estimated General Fund Impact	$9,194,500	$17,286,000

House Bill 128 – Beginning January 1, 2000, HB128 repeals the telephone company license tax (1.8 percent) and imposes a new telephone excise tax of 3.75 percent on the sales price of retail telecommunications. The telephone excise tax is imposed on telephone service consumers (except internet service consumers per SB192) which is to be collected by all centrally assessed telephone companies. Rural telephone cooperatives and local exchange carriers will also collect the tax if they were subject to competition upon passage of the act. Rural telephone cooperatives and local exchange carriers who are not currently subject to competition but become subject to competition in the future will remain exempt from collection of the tax. Also exempt are purchases of telephone services by the federal government, calls made on pay phones or using pre-paid calling cards. The tax will be collected quarterly, and payment of the tax is due no later than 60 days after the end of the quarter to which the tax applies. The revenue from the telephone excise tax will be deposited in the state general fund. The new telephone excise tax is expected to generate $12.4 million in fiscal 2000, and $25.9 million in fiscal 2001.

SB172 – Beginning July 1, 2000 and ending July 1, 2004, SB172 authorizes a 20 percent credit against liability under the new telephone excise tax for investments in advanced telecommunication infrastructure improvements. Telecommunications service providers will qualify for the credit by submitting an application to the Economic Development CBDG Loan Review committee for consideration through a competitive grant program. The DOR will be informed as to the successful candidates. Statewide, the credits may not exceed $2 million. It is expected that the full statewide credit amount will be achieved in fiscal 2001.

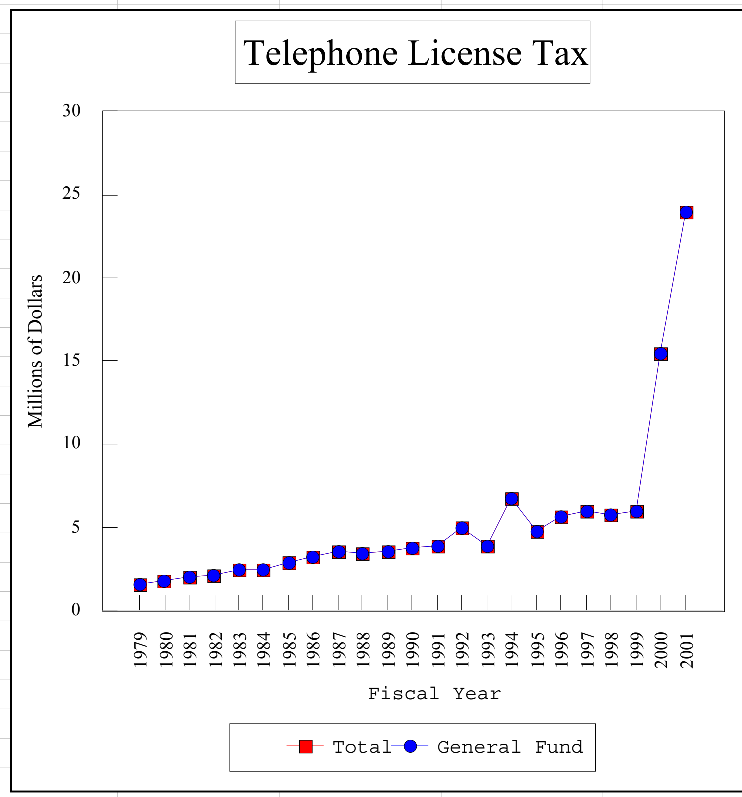
TELEPHONE LICENSE TAX

SB192 – Beginning in tax year 1999 and ending on January 1, 2000, SB192 clarifies that internet access services are not taxable under the telephone license tax. Internet access services were taxed in practice but compliance was low. The HJR2 revenue estimates for the license tax contained a small amount of general fund revenue in fiscal years 1999 ($11,000) and 2000 ($5,000) from internet access services which will no longer be collectible. The exemption for internet access services is expected to apply to the new telephone license tax under the federal internet tax freedom act.

Revenue Projection

The table and graphic below present the historical and projected revenue collections for the telephone license tax.

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1979	1.634245	1.634245	
A	1980	1.783776	1.783776	9.15%
A	1981	2.039383	2.039383	14.33%
A	1982	2.167815	2.167815	6.30%
A	1983	2.463670	2.463670	13.65%
A	1984	2.521905	2.521905	2.36%
A	1985	2.931732	2.931732	16.25%
A	1986	3.243935	3.243935	10.65%
A	1987	3.546256	3.546256	9.32%
A	1988	3.450499	3.450499	-2.70%
A	1989	3.580073	3.580073	3.76%
A	1990	3.760038	3.760038	5.03%
A	1991	3.899657	3.899657	3.71%
A	1992	4.983796	4.983796	27.80%
A	1993	3.865712	3.865712	-22.43%
A	1994	6.835201	6.835201	76.82%
A	1995	4.800861	4.800861	-29.76%
A	1996	5.711933	5.711933	18.98%
A	1997	6.045081	6.045081	5.83%
A	1998	5.773341	5.773341	-4.50%
F	1999	6.052000	6.052000	4.83%
F	2000	15.539000	15.539000	156.76%
F	2001	23.936000	23.936000	54.04%



LIQUOR PROFITS

Revenue Description

The Department of Revenue (DOR) is authorized to sell liquor and wine to retail liquor establishments throughout the state. These sales result in profits and taxes which are deposited in various state and local accounts. Tax revenues generated from liquor excise and license taxes, as well as wine taxes, are estimated under separate methodologies.

Liquor profits received by the state are primarily generated by a mark-up on the sale of liquor and wine, less costs such as commissions and discounts. A 40.0 percent mark-up is added to the state's base cost for liquor. The state's mark-up on wine (excluding hard cider) varies according to the size of the container and whether or not it is fortified wine or table wine. The mark-up percentage for both liquor and wine is determined by administrative rule (see ARM 42.11.104).

Distribution

Liquor profits are usually deposited in the general fund annually.

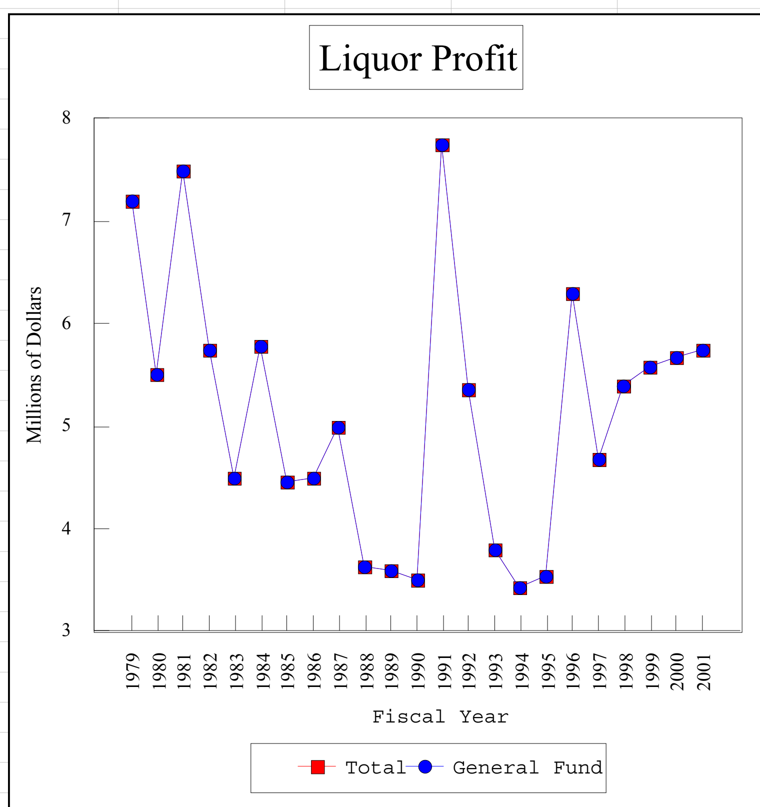
Summary of Legislative Action

The Fifty-sixth Legislature did not enact legislation that impacted this general fund revenue source.

Revenue Projection

The table and graphic below present the historical and projected revenue collections for liquor profits.

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1979	7.200000	7.200000	
A	1980	5.500887	5.500887	-23.60%
A	1981	7.499113	7.499113	36.33%
A	1982	5.750000	5.750000	-23.32%
A	1983	4.500000	4.500000	-21.74%
A	1984	5.782000	5.782000	28.49%
A	1985	4.466000	4.466000	-22.76%
A	1986	4.500000	4.500000	0.76%
A	1987	5.000000	5.000000	11.11%
A	1988	3.633000	3.633000	-27.34%
A	1989	3.600000	3.600000	-0.91%
A	1990	3.500000	3.500000	-2.78%
A	1991	7.750000	7.750000	121.43%
A	1992	5.363000	5.363000	-30.80%
A	1993	3.800000	3.800000	-29.14%
A	1994	3.437523	3.437523	-9.54%
A	1995	3.537241	3.537241	2.90%
A	1996	6.300000	6.300000	78.10%
A	1997	4.675000	4.675000	-25.79%
A	1998	5.400000	5.400000	15.51%
F	1999	5.582000	5.582000	3.37%
F	2000	5.667000	5.667000	1.52%
F	2001	5.754000	5.754000	1.54%



Revenue Description

The electrical energy license tax is imposed on each person or organization engaged in generating, manufacturing, or producing electrical energy in Montana.

Applicable Tax Rate(s)

The tax of $0.0002 per kilowatt-hour is levied against all electrical energy produced within the state. A deduction is allowed for "actual and necessary" energy use by the plant for the production of the energy. Electrical energy taxes may be reduced by an interest differential credit claimed by the producers. This credit is determined by the difference between the actual interest received on energy conservation loans and the average interest rate for home improvement loans.

Distribution

All proceeds are deposited into the general fund.

Summary of Legislative Action

Table 1 summarizes the legislation passed by the 56th legislature that impacts electrical energy tax collections. A brief narrative describing each bill follows Table 1.

Table 1
Electrical Energy Tax -- Legislation Passed by 56th Legislature
Estimated General Fund Impact for the 2001 Biennium

		--------Est Gain/Loss------	
Bill No.	Short Title	FY2000	FY2001
HB 174	Generally revise taxation of electrical generation facilities	$1,701,000	$3,425,000

HB 174 – Beginning January 1, 2000, HB 174, creates a new wholesale energy transaction (WET) tax which is imposed upon electricity transmitted and sold within Montana. The tax rate is set at 0.015 cents (0.15 mills) per kilowatt hour. If the electricity is produced in-state and sold out of state, the taxpayer is the person(s) owning the electrical generation property, and the tax is collected by the transmission services provider. If the electricity is produced in-state for delivery in-state, or is produced outside the state for delivery in-state, the taxpayer is the distribution services provider, and the tax is collected by the transmission services provider.

The electrical energy tax, at a rate of 0.02 cents per kilowatt hour on Montana-based production, remains in effect.

The WET tax does not apply to: 1) electricity that is transmitted through the state that is neither produced or consumed in the state; 2) electricity generated in the state by an agency of the federal government for delivery outside the state; 3) electricity delivered to a distribution services provider that is a municipal utility or a rural electric cooperative which opts out of competition under HB390 (1997 legislature); 4) electricity delivered to a purchaser that receives its power directly from a transmission or distribution facility owned by an entity of the US government; 5) electricity meeting certain contractual requirements that is delivered by a distribution services provider that was first served by a public utility after December 31, 1996; and 6) electricity that has been subject to the transmission tax in another state.

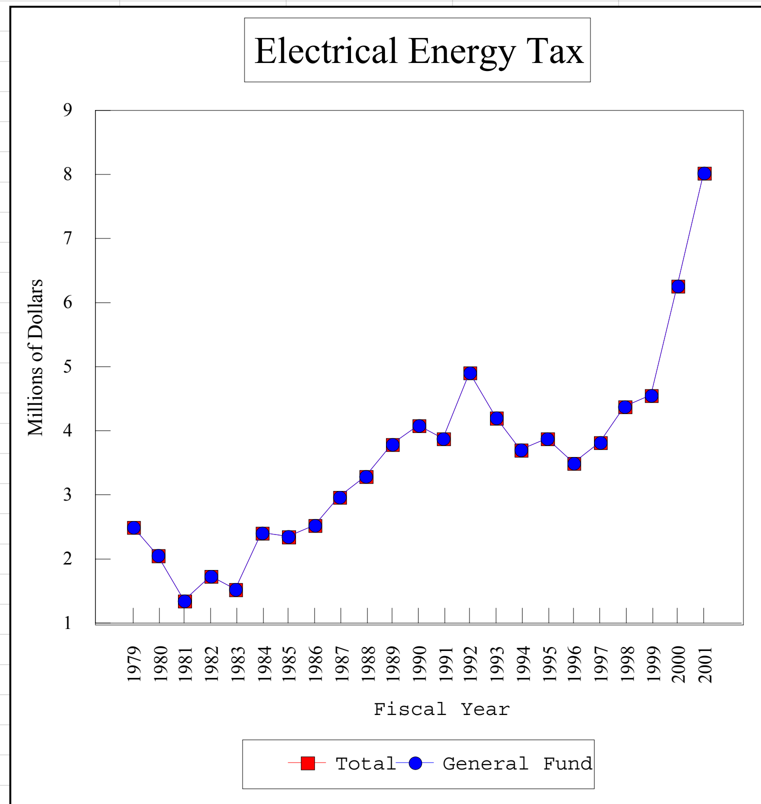
The WET tax is collected quarterly and is due 60 days after the end of the quarter to which the tax applies. The revenue from the tax is deposited in the general fund. The WET tax is expected to produce $1.7 million in fiscal 2000 and $3.4 million in fiscal 2001.

Revenue Projection

The table and graphic below present the historical and projected revenue collections for the electrical energy tax.

ELECTRICAL ENERGY TAX

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1979	2.523707	2.523707	
A	1980	2.060960	2.060960	-18.34%
A	1981	1.367959	1.367959	-33.63%
A	1982	1.753173	1.753173	28.16%
A	1983	1.546157	1.546157	-11.81%
A	1984	2.413172	2.413172	56.08%
A	1985	2.361855	2.361855	-2.13%
A	1986	2.530403	2.530403	7.14%
A	1987	2.991861	2.991861	18.24%
A	1988	3.311082	3.311082	10.67%
A	1989	3.815964	3.815964	15.25%
A	1990	4.100543	4.100543	7.46%
A	1991	3.906194	3.906194	-4.74%
A	1992	4.937510	4.937510	26.40%
A	1993	4.232200	4.232200	-14.28%
A	1994	3.728365	3.728365	-11.90%
A	1995	3.885910	3.885910	4.23%
A	1996	3.520407	3.520407	-9.41%
A	1997	3.849052	3.849052	9.34%
A	1998	4.401728	4.401728	14.36%
F	1999	4.564000	4.564000	3.69%
F	2000	6.268000	6.268000	37.34%
F	2001	8.031000	8.031000	28.13%



INVESTMENT LICENSES

Revenue Description

Investment advisors and investment companies pay various fees to the state. These fees are for the registration of securities and agents, for registration of securities by notification, or for notice of a federal filing of a federally secured security.

Applicable Tax Rate(s)

Varies, cannot be less than $200 or more than $1,000. Both one-time and annual fees are included here.

Distribution

All such fees except portfolio registration fees are deposited to the general fund. Portfolio registration fees are deposited in a state special revenue account from which the State Auditor pays for expenses associated with the regulation of portfolio activities. The excess in this account is transferred to the general fund throughout the year as a residual equity transfer.

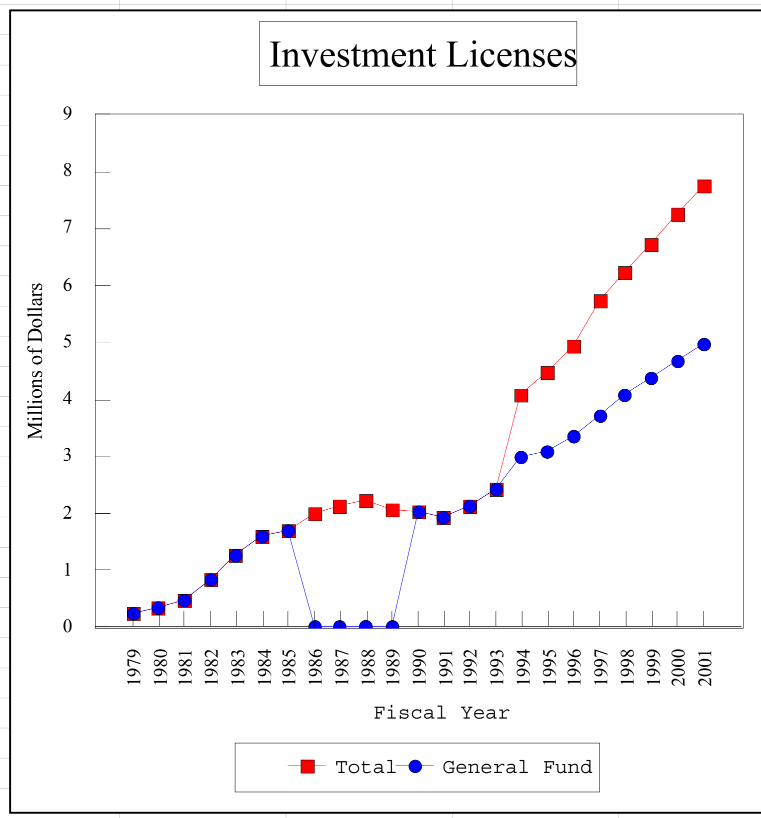
Summary of Legislative Action

The Fifty-sixth Legislature did not enact legislation that impacted this general fund revenue source.

Revenue Projection

The table and graphic below present the historical and projected revenue collections for investment license fees.

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1979	0.231651	0.231651	
A	1980	0.345883	0.345883	49.31%
A	1981	0.474417	0.474417	37.16%
A	1982	0.851052	0.851052	79.39%
A	1983	1.280643	1.280643	50.48%
A	1984	1.588315	1.588315	24.02%
A	1985	1.719086	1.719086	8.23%
A	1986	1.986908	0.000000	-100.00%
A	1987	2.140191	0.000000	Not App.
A	1988	2.249184	0.000000	Not App.
A	1989	2.066512	0.000000	Not App.
A	1990	2.040484	2.040484	Not App.
A	1991	1.926470	1.926470	-5.59%
A	1992	2.148119	2.148119	11.51%
A	1993	2.428086	2.428086	13.03%
A	1994	4.099445	2.999890	23.55%
A	1995	4.497142	3.098903	3.30%
A	1996	4.954212	3.343572	7.90%
A	1997	5.724848	3.710080	10.96%
A	1998	6.241477	4.085657	10.12%
F	1999	6.743000	4.393000	7.52%
F	2000	7.252000	4.691000	6.78%
F	2001	7.769000	4.978000	6.12%



HIGHWAY PATROL FINES

Revenue Description

The highway patrol issues citations for speeding, driving under the influence of alcohol or drugs, and other misdemeanors. Fines and forfeitures associated with these citations are collected by various state and local courts.

Distribution

Highway patrol fines and forfeitures on all offenses that result from citations issued by the highway patrol, except those paid to a justice's court, are deposited in the general fund, except that 18 percent of these fines are deposited into the crime victims compensation and assistance account until it reaches a balance of $500,000, after which all highway patrol fines are deposited in the general fund.

Summary of Legislative Action

Table 1 summarizes the legislation passed by the 56th legislature that impacts highway patrol fine collections. A brief narrative describing each bill follows Table 1.

Senate Bill 133 -- Effective May 28, 1999, there is a numerical daytime speed limit imposed on the federal-aid interstate and public highways of the state as follows:

- On a federal-aid interstate highway outside an urbanized area of 50,000 population or more, 75 miles an hour at all times;
- On a federal-aid interstate highway within an urbanized area of 50,000 population or more, 65 miles an hour at all times;
- On any other public highway of the state, 70 miles an hour during the daytime and 65 miles an hour during the nighttime;
- On U.S. highway 93 between the Canadian and Idaho borders, 65 miles an hour at all times.

SB 133 establishes fine amounts for speed in excess of the limit ranging from $20 to $100. The fiscal note accompanying SB 133 estimates additional general fund revenue of $0.52 million in fiscal 2000 and $0.69 million in fiscal 2001. A technical error discovered after passage of the bill would have resulted in higher fines or penalties than intended. The 56th Legislature is expected to address this issue at its June 1999 special legislative session.

Revenue Projection

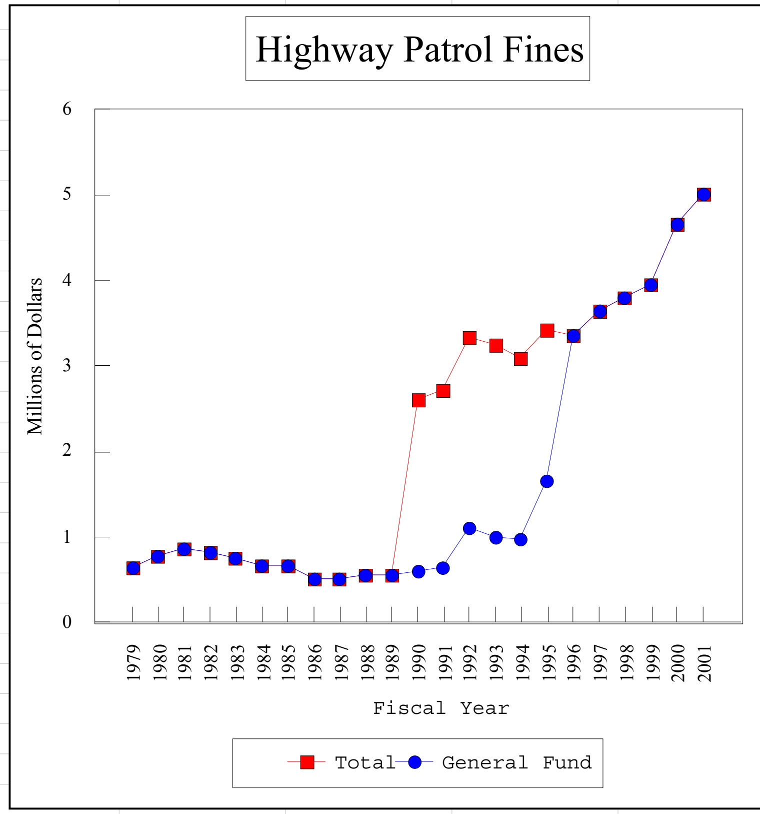
The table and graphic below present the historical and projected revenue collections for highway patrol fines.

Table 1
Highway Patrol Fines -- Legislation Passed by 56th Legislature
Estimated General Fund Impact for the 2001 Biennium

		--------Est Gain/Loss------	
Bill No.	Short Title	FY2000	FY2001
SB 133	Numerical daytime speed limit	$520,991	$694,655

HIGHWAY PATROL FINES

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1979	0.658976	0.658976	
A	1980	0.774990	0.774990	17.61%
A	1981	0.872830	0.872830	12.62%
A	1982	0.835676	0.835676	-4.26%
A	1983	0.759811	0.759811	-9.08%
A	1984	0.667243	0.667243	-12.18%
A	1985	0.674271	0.674271	1.05%
A	1986	0.525237	0.525237	-22.10%
A	1987	0.525734	0.525734	0.09%
A	1988	0.558292	0.558292	6.19%
A	1989	0.570900	0.570900	2.26%
A	1990	2.609737	0.602244	5.49%
A	1991	2.720146	0.644476	7.01%
A	1992	3.339020	1.122195	74.13%
A	1993	3.245957	0.999230	-10.96%
A	1994	3.091071	0.988376	-1.09%
A	1995	3.425943	1.672991	69.27%
A	1996	3.373631	3.373631	101.65%
A	1997	3.643555	3.643555	8.00%
A	1998	3.800656	3.800656	4.31%
F	1999	3.965000	3.965000	4.32%
F	2000	4.657000	4.657000	17.45%
F	2001	5.009000	5.009000	7.56%



DRIVERS' LICENSE FEES

Revenue Description

A resident of Montana must have a valid driver's license to operate a motor vehicle on any highway in the state. A driver's license is issued only if the applicant passes specified examinations and pays a fee. The fees are collected by Department of Justice, Motor Vehicle Division staff or county treasurers and are forwarded to the state treasurer for deposit. The fees included in this source are from regular driver's licenses, commercial driver's licenses, motorcycle endorsements, and duplicate driver's licenses.

Applicable Tax Rate(s)

Drivers' license fees are:

- driver's license, except a commercial driver's license - $4.00 per year or fraction of a year
- motorcycle endorsement - $.50 per year or fraction of a year
- commercial driver's license:
  - interstate - $5.00 per year or fraction of a year
  - intrastate - $3.50 per year or fraction of a year
- duplicate license - $5.00

Distribution

The distribution of license fee revenue varies by the type of license. The table below shows the current statutory distribution. Note: the portion allocated to counties applies only when the county collects the fee. Otherwise, the county allocation is added to the general fund distribution.

Summary of Legislative Action

The 56th Legislature did not enact legislation that impacted this general fund revenue source.

Revenue Projection

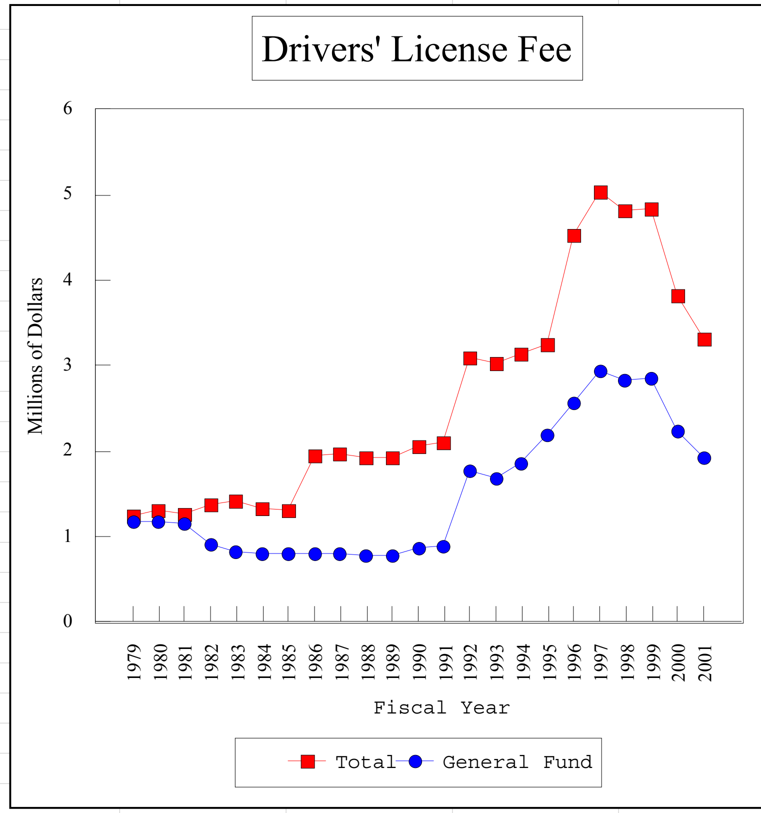
The table and graphic below present the historical and projected revenue collections for drivers' license fees.

Distribution of Drivers' License Fees

	Drivers' License	Duplicate License	Motorcycle Endorsement	Commercial Drivers' License
Montana Highway Patrol	16.70%	25.00%	0.00%	0.00%
Counties or DOJ	2.50%	3.75%	3.34%	2.50%
Traffic Safety & Education	26.25%	8.75%	63.46%	0.00%
General Fund	54.55%	62.50%	33.20%	97.50%
Total	100.00%	100.00%	100.00%	100.00%

DRIVERS' LICENSE FEES

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1979	1.237413	1.171820	
A	1980	1.302032	1.189350	1.50%
A	1981	1.270064	1.163647	-2.16%
A	1982	1.376728	0.916606	-21.23%
A	1983	1.427548	0.816365	-10.94%
A	1984	1.328563	0.799616	-2.05%
A	1985	1.320716	0.803983	0.55%
A	1986	1.960814	0.796349	-0.95%
A	1987	1.971861	0.802900	0.82%
A	1988	1.939289	0.790325	-1.57%
A	1989	1.934339	0.788321	-0.25%
A	1990	2.065777	0.862954	9.47%
A	1991	2.114827	0.882589	2.28%
A	1992	3.091645	1.775859	101.21%
A	1993	3.043986	1.693173	-4.66%
A	1994	3.151465	1.855408	9.58%
A	1995	3.259640	2.184202	17.72%
A	1996	4.525185	2.574068	17.85%
A	1997	5.033910	2.953533	14.74%
A	1998	4.824378	2.827707	-4.26%
F	1999	4.839000	2.846000	0.65%
F	2000	3.838000	2.242000	-21.22%
F	2001	3.314000	1.925000	-14.14%



METALLIFEROUS MINES TAX

Revenue Description

The metalliferous mines license tax is imposed on the production of metals, gems or stones in the state. The tax rate is applied to the gross value of the product, which is defined as the market value of the commodity multiplied by the quantity produced.

Applicable Tax Rate(s)

The tax rate is as follows:

For concentrates shipped to a smelter, mill, or reduction work:

Gross Value	Rate
$0-$250,000	Exempt
$250,001 and Above	1.81%

For gold, silver, or any platinum group metal that is dore, bullion, or matte and that is shipped to a refinery:

Gross Value	Rate
$0-$250,000	Exempt
$250,001 and Above	1.6%

Distribution

The distribution of the metal mines tax has been altered several times during the 1990s. The table below shows recent historical distributions of the metal mines tax.

Summary of Legislative Action

Table 1 summarizes the legislation passed by the Fifty-sixth legislature that impacts metal mines tax collections. A brief narrative describing each bill follows Table 1.

Distribution of Metal Mines Tax
(Percent)

	Fiscal 1994-1995	Fiscal 1996-1997	Fiscal 1998& Beyond
General Fund	58.0	58.0	58.0
RIT Trust	15.5	0.0	0.0
Groundwater Assessment	0.0	2.2	2.2
Abandoned Mines	0.0	8.5	0.0
Orphan Share	0.0	0.0	8.5
Reclamation & Dev. Grants	0.0	4.8	4.8
Hard Rock Mining	1.5	1.5	1.5
Counties	25.0	25.0	25.0

Table 1
Metalliferous Mines Tax -- Legislation Passed by 56th Legislature
Estimated General Fund Impact for the 2001 Biennium

Bill No.	Short Title	--------Est Gain/Loss------ FY2000	FY2001
HB 420	Allow deduction of transportation costs in computing taxes on metal mines	($137,027)	($130,575)
SB 49	Revise allocation of RIT interest for enumerated purposes	0	0
	Total Estimated General Fund Impact	($137,027)	($130,575)

METALLIFEROUS MINES TAX

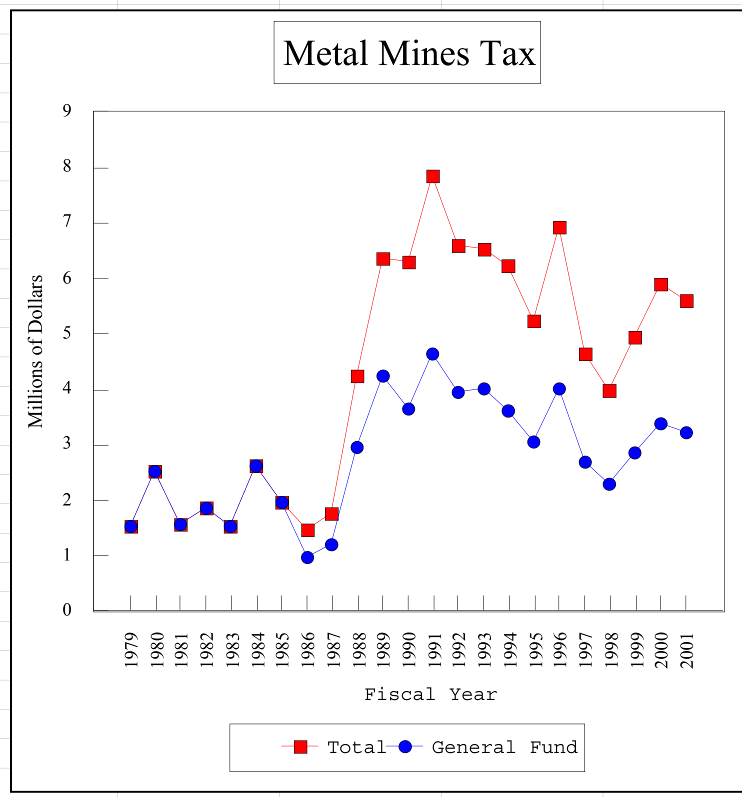
HB 420 – Beginning in tax year 1999, HB 420 allows for the deduction of costs related to the transportation of minerals from the mine to the smelter when calculating metal mines taxes.

SB 49 -- Beginning July 1, 1999, SB 49 increases the allocation of the metal mines tax to the reclamation and development grants program account from 4.8 percent to 7 percent and eliminates an allocation (2.2 percent) of the metal mines tax to the groundwater assessment account.

Revenue Projection

The table and graphic below present the historical and projected revenue collections for the metal mines tax.

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1979	1.544518	1.544518	
A	1980	2.516820	2.516820	62.95%
A	1981	1.564569	1.564569	-37.84%
A	1982	1.861208	1.861208	18.96%
A	1983	1.542061	1.542061	-17.15%
A	1984	2.630135	2.630135	70.56%
A	1985	1.977324	1.977324	-24.82%
A	1986	1.479993	0.989852	-49.94%
A	1987	1.756121	1.211030	22.34%
A	1988	4.248913	2.961778	144.57%
A	1989	6.355005	4.257531	43.75%
A	1990	6.306356	3.664579	-13.93%
A	1991	7.855130	4.638654	26.58%
A	1992	6.595466	3.965609	-14.51%
A	1993	6.521077	4.030946	1.65%
A	1994	6.229683	3.613074	-10.37%
A	1995	5.259335	3.050414	-15.57%
A	1996	6.941131	4.025856	31.98%
A	1997	4.648563	2.696167	-33.03%
A	1998	3.977699	2.306801	-14.44%
F	1999	4.946000	2.869000	24.37%
F	2000	5.898000	3.388000	18.09%
F	2001	5.618000	3.225000	-4.81%



PUBLIC CONTRACTORS TAX

Revenue Description

Contractors or subcontractors submitting a proposal to perform construction work in Montana for the federal government, state government, or any political subdivision, must be licensed as a public contractor. A license is not required in order to bid on contracts in which federal aid is used for highway construction, but a license is required once the bid is awarded.

Applicable Tax Rate(s)

A 1.0 percent license fee is applied to the gross receipts of each separate project let by any of the listed public entities. However, the license fee paid may be used as a credit on the contractor's corporate, individual, or personal property tax return.

Distribution

All public contractor tax revenue is deposited into the general fund.

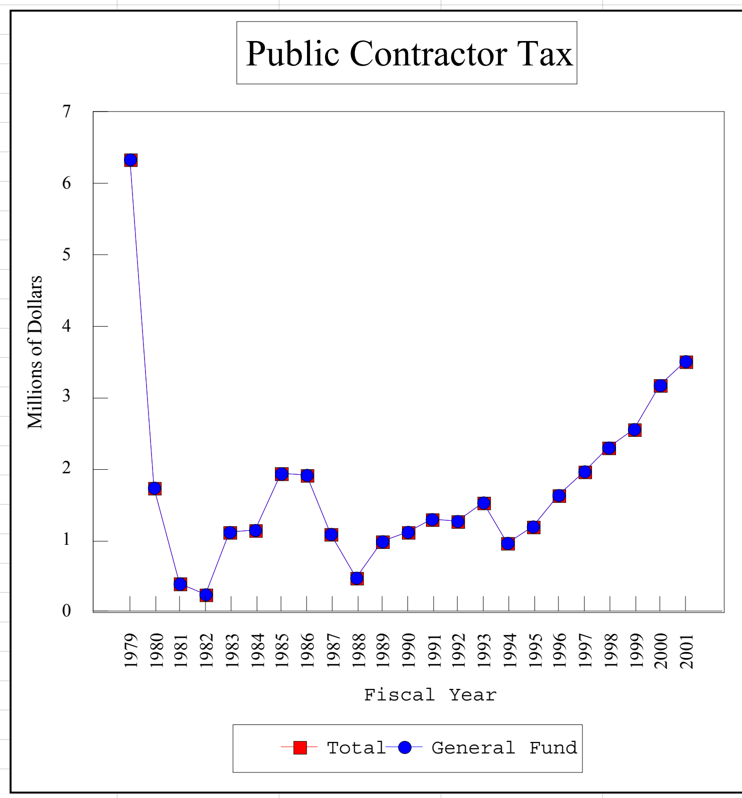
Summary of Legislative Action

The Fifty-sixth Legislature did not enact legislation that impacted this general fund revenue source.

Revenue Projection

The table and graphic below present the historical and projected revenue collections for the public contractors tax.

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1979	6.335000	6.335000	
A	1980	1.728618	1.728618	-72.71%
A	1981	0.391338	0.391338	-77.36%
A	1982	0.234907	0.234907	-39.97%
A	1983	1.113275	1.113275	373.92%
A	1984	1.152868	1.152868	3.56%
A	1985	1.935117	1.935117	67.85%
A	1986	1.916303	1.916303	-0.97%
A	1987	1.094458	1.094458	-42.89%
A	1988	0.488446	0.488446	-55.37%
A	1989	0.987887	0.987887	102.25%
A	1990	1.118458	1.118458	13.22%
A	1991	1.300905	1.300905	16.31%
A	1992	1.270364	1.270364	-2.35%
A	1993	1.530528	1.530528	20.48%
A	1994	0.964193	0.964193	-37.00%
A	1995	1.192445	1.192445	23.67%
A	1996	1.621441	1.621441	35.98%
A	1997	1.963791	1.963791	21.11%
A	1998	2.290944	2.290944	16.66%
F	1999	2.573000	2.573000	12.31%
F	2000	3.176000	3.176000	23.44%
F	2001	3.520000	3.520000	10.83%



Revenue Description

All railroad property subject to taxation is defined in the Railroad Revitalization and Regulatory Reform Act of 1976. The tax rate for class twelve property is the lesser of 12.0% or the average statutory tax rate for commercial and industrial property. Railroad car companies, which operate in several states, pay taxes on the portion of the property value allocated to Montana, based on the ratio of the car miles traveled within Montana to the total number of car miles traveled in all states, as well as time spent in the state relative to time spent in other states.

Applicable Tax Rate(s)

The tax rate is equal to the previous year's average statewide tax rate for commercial and industrial property. This is multiplied by 95.0 percent of the average statewide mill levy for commercial and industrial property.

Distribution

All revenue from this tax is deposited in the general fund.

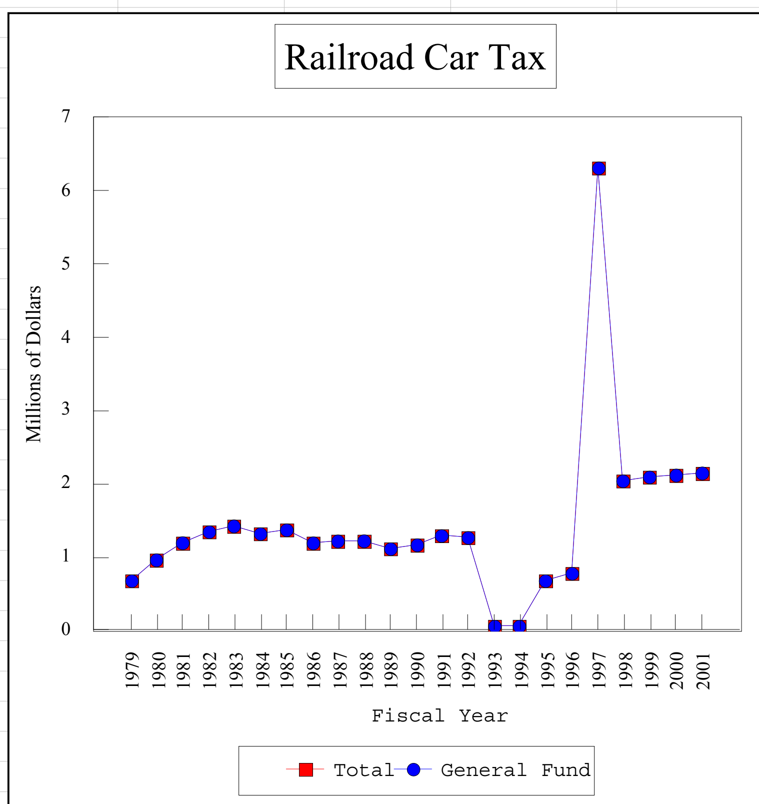
Summary of Legislative Action

The Fifty-sixth Legislature did not enact legislation that impacted this general fund revenue source.

Revenue Projection

The table and graphic below present the historical and projected revenue collections for the railroad car tax.

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1979	0.675790	0.675790	
A	1980	0.956356	0.956356	41.52%
A	1981	1.200093	1.200093	25.49%
A	1982	1.344761	1.344761	12.05%
A	1983	1.432164	1.432164	6.50%
A	1984	1.334111	1.334111	-6.85%
A	1985	1.379418	1.379418	3.40%
A	1986	1.195066	1.195066	-13.36%
A	1987	1.212219	1.212219	1.44%
A	1988	1.229618	1.229618	1.44%
A	1989	1.125739	1.125739	-8.45%
A	1990	1.166312	1.166312	3.60%
A	1991	1.297794	1.297794	11.27%
A	1992	1.272134	1.272134	-1.98%
A	1993	0.059930	0.059930	-95.29%
A	1994	0.066530	0.066530	11.01%
A	1995	0.691978	0.691978	940.10%
A	1996	0.780125	0.780125	12.74%
A	1997	6.308625	6.308625	708.67%
A	1998	2.054244	2.054244	-67.44%
F	1999	2.110000	2.110000	2.71%
F	2000	2.130000	2.130000	0.95%
F	2001	2.153000	2.153000	1.08%



Revenue Description

A tax of 12.5 percent of the wholesale price of tobacco products <u>other than cigarettes</u> is collected by the Department of Revenue (DOR). The tax is considered to be a direct tax on retail consumers but is collected by the wholesaler. Tobacco products shipped from Montana and destined for retail sale and consumption outside the state are not subject to the tax. The wholesaler must pay DOR the taxes in full less a 5.0 percent discount for the wholesaler's collection and administrative expense. The wholesaler is entitled to a refund for tobacco products which remain unsold.

The state has a tobacco agreement with only one tribe in Montana. In the agreement with the Blackfeet Tribe, the state collects a tax imposed by the Tribe and forwards the revenue to the Tribe. Indian consumers of tobacco on other reservations pay the tobacco tax.

Applicable Tax Rate(s)

Twelve and one-half percent of the wholesale price of (non-cigarette) tobacco products.

Distribution

All proceeds, less monies paid according to tribal agreements, are deposited into the general fund.

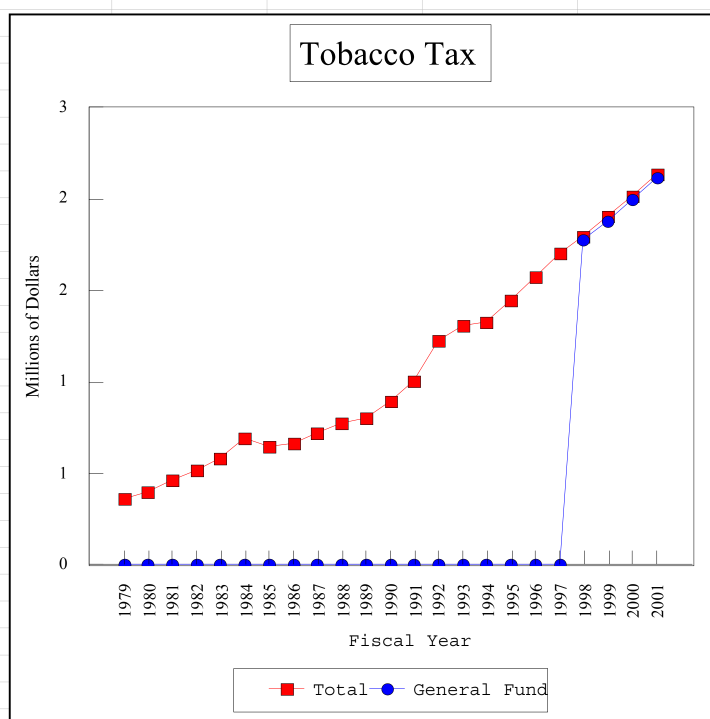
Summary of Legislative Action

The Fifty-sixth Legislature did not enact legislation that impacted this general fund revenue source.

Revenue Projection

The table and graphic below present the historical and projected revenue collections for the tobacco tax.

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1979	0.367363	0.000000	
A	1980	0.397831	0.000000	Not App.
A	1981	0.464768	0.000000	Not App.
A	1982	0.519448	0.000000	Not App.
A	1983	0.581203	0.000000	Not App.
A	1984	0.692898	0.000000	Not App.
A	1985	0.650793	0.000000	Not App.
A	1986	0.669932	0.000000	Not App.
A	1987	0.720332	0.000000	Not App.
A	1988	0.773440	0.000000	Not App.
A	1989	0.802615	0.000000	Not App.
A	1990	0.893111	0.000000	Not App.
A	1991	1.006909	0.000000	Not App.
A	1992	1.224587	0.000000	Not App.
A	1993	1.308951	0.000000	Not App.
A	1994	1.328907	0.000000	Not App.
A	1995	1.446101	0.000000	Not App.
A	1996	1.579547	0.000000	Not App.
A	1997	1.702313	0.000000	Not App.
A	1998	1.801084	1.778739	Not App.
F	1999	1.904000	1.882000	5.81%
F	2000	2.018000	1.995000	6.00%
F	2001	2.140000	2.116000	6.07%



LONG RANGE BOND EXCESS

Revenue Description

Statute provides for a debt service account which is used to pay interest and principal on long range building program bonds and to accumulate reserves for payment of debt service when reserves are required by statute or bond resolution. Money received in the debt service account in excess of the principal, interest, and reserve requirements must be transferred by the treasurer to the general fund. Thus, this debt service account is referred to as the "long range bond excess account."

In accordance with 15-35-108(7), MCA, beginning July 1, 1997, and ending June 30, 2007, the amount of 1.3 percent of coal severance tax collections are to be deposited into the debt service account to fund the bonds issued for the purchase of the Virginia City and Nevada City properties. This amount is ultimately transferred to the general fund and debt service payments are made via the general fund statutory appropriation for debt service.

Distribution

All long range bond excess funds are deposited into the general fund.

Summary of Legislative Action

Table 1 summarizes the legislation passed by the Fifty-sixth Legislature that impacts long range bond excess revenue. A brief narrative describing each bill follows Table 1.

HB69 – eliminates the distribution of severance tax revenue to the long range building debt service account that was used to pay bonds issued for the purchase of Virginia City and Nevada City property. Long range bond excess revenue in the general fund will be reduced by $171,458 in fiscal 2000 and by $167,398 in fiscal 2001.

Revenue Projection

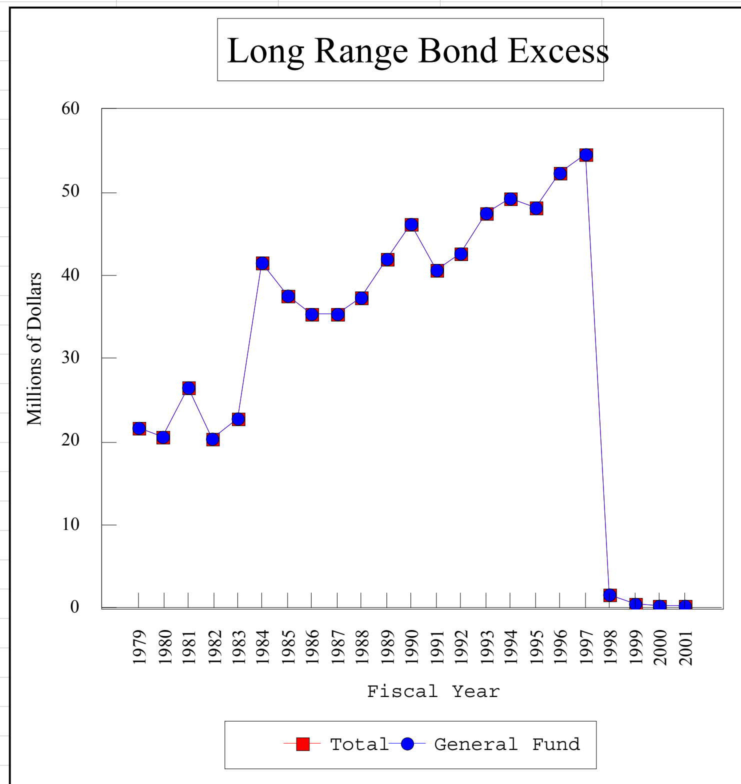
The table and graphic below present the historical and projected revenue collections for the long range bond excess revenue source.

Table 1
Long Range Bond Excess -- Legislation Passed by 56th Legislature
Estimated General Fund Impact for the 2001 Biennium

		--------Est Gain/Loss-----	
Bill No.	Short Title	FY2000	FY2001
HB 69	Revise the laws governing statutory appropriations an dedicated revenue	($171,458)	($167,398)

LONG RANGE BOND EXCESS

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1979	21.800000	21.800000	
A	1980	20.700000	20.700000	-5.05%
A	1981	26.500000	26.500000	28.02%
A	1982	20.450000	20.450000	-22.83%
A	1983	22.797971	22.797971	11.48%
A	1984	41.682643	41.682643	82.83%
A	1985	37.535668	37.535668	-9.95%
A	1986	35.487786	35.487786	-5.46%
A	1987	35.312990	35.312990	-0.49%
A	1988	37.461464	37.461464	6.08%
A	1989	41.984807	41.984807	12.07%
A	1990	46.168712	46.168712	9.97%
A	1991	40.713103	40.713103	-11.82%
A	1992	42.734109	42.734109	4.96%
A	1993	47.644481	47.644481	11.49%
A	1994	49.214565	49.214565	3.30%
A	1995	48.150374	48.150374	-2.16%
A	1996	52.368957	52.368957	8.76%
A	1997	54.491299	54.491299	4.05%
A	1998	1.746497	1.746497	-96.79%
F	1999	0.456000	0.456000	-73.89%
F	2000	0.261000	0.261000	-42.76%
F	2001	0.243000	0.243000	-6.90%



NATURAL GAS PRODUCTION TAX

Revenue Description

The natural gas production tax is applied to the gross value of gas produced in the state based on the type of well and type of production.

Applicable Tax Rate(s)

The natural gas production tax has many tax rates and distribution percentages depending on several factors. These factors include whether the natural gas is produced from a stripper well, from a well initially drilled before July 1, 1985, or after, from a well newly drilled within the last year or two, and whether the interest

Oil and Natural Gas Tax Rates and Revenue Distribution

TY 2000 and Beyond - SB 530, HB 658, HB 661

		State/Local Distribution		State Share Distribution		
Oil Production	Tax Rate	Local Share	State Share	RITT Share	P&L Share	Gen. Fund Share
Pre-99 Working Interest						
Regular	12.80%	60.70%	39.30%	8.62%	5.17%	86.21%
Stripper - 1st 10 barrels	5.80%	86.20%	13.80%	62.50%	37.50%	0.00%
Stripper - more than 10 barrels	9.30%	60.70%	39.30%	8.62%	5.17%	86.21%
Stripper Exemption	0.80%	0.00%	100.00%	62.50%	37.50%	0.00%
Secondary Incremental	8.80%	60.70%	39.30%	8.62%	5.17%	86.21%
Tertiary Incremental	6.10%	60.70%	39.30%	8.62%	5.17%	86.21%
Horizontal: 0-18 Mths	0.80%	0.00%	100.00%	62.50%	37.50%	0.00%
Horizontal: after 18 Mths	12.80%	60.70%	39.30%	8.62%	5.17%	86.21%
Horizontal: Recompleted; 0-18 Mths	5.80%	0.00%	100.00%	62.50%	37.50%	0.00%
Horizontal: Recompleted; Aft 18 Mths	12.80%	60.70%	39.30%	8.62%	5.17%	86.21%
Post-99 Working Interest						
New : 0-12 Mths	0.80%	0.00%	100.00%	62.50%	37.50%	0.00%
Regular	9.30%	60.70%	39.30%	8.62%	5.17%	86.21%
Stripper - 1st 10 barrels	5.80%	86.20%	13.80%	62.50%	37.50%	0.00%
Stripper - more than 10 barrels	9.30%	60.70%	39.30%	8.62%	5.17%	86.21%
Stripper Exemption	0.80%	0.00%	100.00%	62.50%	37.50%	0.00%
Secondary Incremental	8.80%	60.70%	39.30%	8.62%	5.17%	86.21%
Tertiary Incremental	6.10%	60.70%	39.30%	8.62%	5.17%	86.21%
Horizontal: 0-18 Mths	0.80%	0.00%	100.00%	62.50%	37.50%	0.00%
Horizontal: after 18 Mths	9.30%	60.70%	39.30%	8.62%	5.17%	86.21%
Horizontal: Recompleted; 0-18 Mths	5.80%	0.00%	100.00%	62.50%	37.50%	0.00%
Horizontal: Recompleted; Aft 18 Mths	9.30%	60.70%	39.30%	8.62%	5.17%	86.21%
All Oil Royalties	15.10%	60.70%	39.30%	8.62%	5.17%	86.21%
Natural Gas Production	Tax Rate	Local Share	State Share	RITT Share	P&L Share	Gen. Fund Share
Pre-99 Working Interest						
Regular after 12 Months	15.10%	86.00%	14.00%	14.50%	8.70%	76.80%
Stripper	11.30%	86.00%	14.00%	14.50%	8.70%	76.80%
Post-99 Working Interest						
New : 0-12 Months	0.80%	0.00%	100.00%	62.50%	37.50%	0.00%
Regular after 12 Months	9.30%	86.00%	14.00%	14.50%	8.70%	76.80%
Stripper	9.30%	86.00%	14.00%	14.50%	8.70%	76.80%
New Horizontal 0-18 Months	0.80%	0.00%	100.00%	62.50%	37.50%	0.00%
Horizontal after 18 months	9.30%					
All Natural Gas Royalties	15.10%	86.00%	14.00%	14.50%	8.70%	76.80%

being taxed is the working interest or the royalty interest. The table on the previous page shows tax rates and distribution percentages for each type of oil for pre-1985 natural gas and post-1985 natural gas.

Distribution

The natural gas production is divided into a local share and a state share. The state share is further allocated to the general fund, the resource indemnity trust account, and to a state special revenue account for use by the Board of Oil and Gas Conservation. Specific distribution percentages are found in the table above.

Summary of Legislative Action

Table 1 summarizes the legislation passed by the Fifty-sixth legislature that impacts natural gas production tax collections. A brief narrative describing each bill follows Table 1.

of the categories of oil and gas production. SB 530 allocates to

SB530 – Beginning January 1, 2000, SB530 eliminates the distinction between pre-1985 and post-1985 production in oil and natural gas taxation and repeals the unit value calculation that has been used to distribute taxes from pre-1985 wells. Tax year 1999 is a transition year; the pre- and post-1985 distinction is eliminated effective January 1,2000. SB 530 creates a new distinction between pre- and post-1999 production and adjusts the tax rates for many the state all of the production taxes paid by working interests on new oil and gas production in the first 12 (or, in some cases, 18) months of production (i.e. during the "tax holiday" period).

Effective January 1, 2000, oil and gas production taxes are distributed to counties based on taxes received from production in the county. The county treasurer allocates the taxes to taxing units based on prior year mills, including the 95 mills for schools and 6 mills for the university system. SB 530 is expected to reduce oil and natural gas fund revenues by $89,483 in fiscal 2000, and by $217,673 in fiscal 2000. The amount of this revenue reduction which is for oil and for natural gas is unknown. These estimates include the state's 95 mill share of the local distribution.

SB 530 repeals references to the local government severance tax on calendar 1995 production. School districts may not carry these tax payments in excess of general fund reserves after January 1, 2000.

Revenue Projection

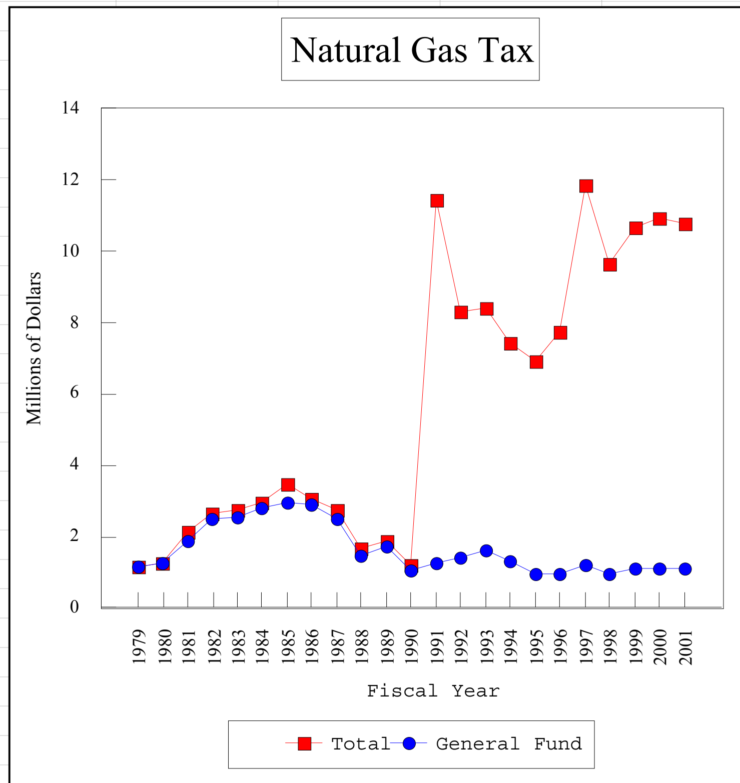
The table and graphic on the following page present the historical and projected revenue collections for the natural gas production tax.

Table 1
Natural Gas Production Tax -- Legislation Passed by 56th Legislature
Estimated General Fund Impact for the 2001 Biennium

Bill No.	Short Title	--------Est Gain/Loss----- FY2000	FY2001
SB 530	Generally revise the taxation of oil and natural gas production	$0	$0

NATURAL GAS PRODUCTION TAX

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1979	1.151104	1.151104	
A	1980	1.264024	1.264024	9.81%
A	1981	2.115399	1.881292	48.83%
A	1982	2.658600	2.474811	31.55%
A	1983	2.731818	2.525059	2.03%
A	1984	2.974924	2.797996	10.81%
A	1985	3.455040	2.945778	5.28%
A	1986	3.083983	2.890666	-1.87%
A	1987	2.744985	2.492465	-13.78%
A	1988	1.650087	1.491523	-40.16%
A	1989	1.893339	1.724735	15.64%
A	1990	1.224535	1.057277	-38.70%
A	1991	11.472697	1.277368	20.82%
A	1992	8.295502	1.395778	9.27%
A	1993	8.391367	1.638965	17.42%
A	1994	7.459401	1.310718	-20.03%
A	1995	6.920374	0.937205	-28.50%
A	1996	7.749974	0.935949	-0.13%
A	1997	11.873072	1.215113	29.83%
A	1998	9.667976	0.973781	-19.86%
F	1999	10.676000	1.100000	12.96%
F	2000	10.920000	1.124000	2.18%
F	2001	10.784000	1.109000	-1.33%



WINE TAX

Revenue Description

A wine tax is levied on table wines imported into Montana by wine distributors or by the Department of Revenue (DOR), which is authorized to sell wines to retail liquor establishments throughout the state. A tax is also imposed on hard cider imported by a table wine distributor or DOR. A portion of wine tax revenue is returned to Indian tribes per an agreement between DOR and the tribes.

Applicable Tax Rate(s)

A tax of $.27 is imposed per liter of wine and a tax of $.037 per liter is imposed on hard cider. An additional tax of $.01 per liter is imposed on table wine sold by a table wine distributor to an agent.

Distribution

Wine tax revenue is distributed:

59.0% - General Fund
31.0% - DPHHS Alcohol Account
5.0% - to Counties
5.0% - to Cities and Towns

The general fund statutory allocation is reduced by the amount of the tribal agreements.

Summary of Legislative Action

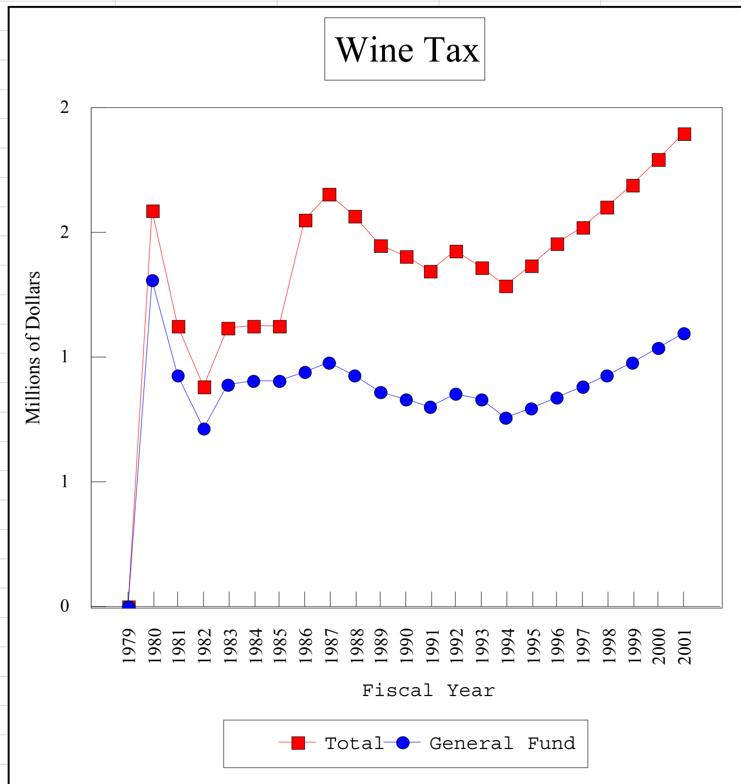
The Fifty-sixth Legislature did not enact legislation that impacted this general fund revenue source.

Revenue Projection

The table and graphic on the following page present the historical and projected revenue collections for the wine tax.

WINE TAX

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1979	0.000000	0.000000	
A	1980	1.595441	1.312406	Not App.
A	1981	1.129641	0.931611	-29.02%
A	1982	0.888715	0.715246	-23.22%
A	1983	1.119855	0.895884	25.26%
A	1984	1.131132	0.904905	1.01%
A	1985	1.132060	0.905648	0.08%
A	1986	1.558356	0.946287	4.49%
A	1987	1.657783	0.982402	3.82%
A	1988	1.569139	0.929861	-5.35%
A	1989	1.453980	0.861618	-7.34%
A	1990	1.404764	0.832453	-3.38%
A	1991	1.346598	0.805117	-3.28%
A	1992	1.433011	0.853172	5.97%
A	1993	1.360770	0.834702	-2.16%
A	1994	1.289013	0.763752	-8.50%
A	1995	1.374297	0.800700	4.84%
A	1996	1.459901	0.845538	5.60%
A	1997	1.525376	0.887340	4.94%
A	1998	1.604299	0.930426	4.86%
F	1999	1.697000	0.982000	5.54%
F	2000	1.795000	1.039000	5.80%
F	2001	1.899000	1.099000	5.77%



BEER TAX

Revenue Description

A tax of $4.30 is levied on each barrel of beer produced in or imported into Montana. A small portion of the revenue from the beer license tax is returned to Indian tribes per an agreement between the Department of Revenue and the tribes.

Applicable Tax Rate(s)

$4.30/barrel of beer

Distribution

Beer tax revenue is distributed:

$1.00 (23.3%) - DPHHS Alcohol Account
$ .50 (11.6%) - General Fund
$2.80 (65.1%) - Cities and Towns

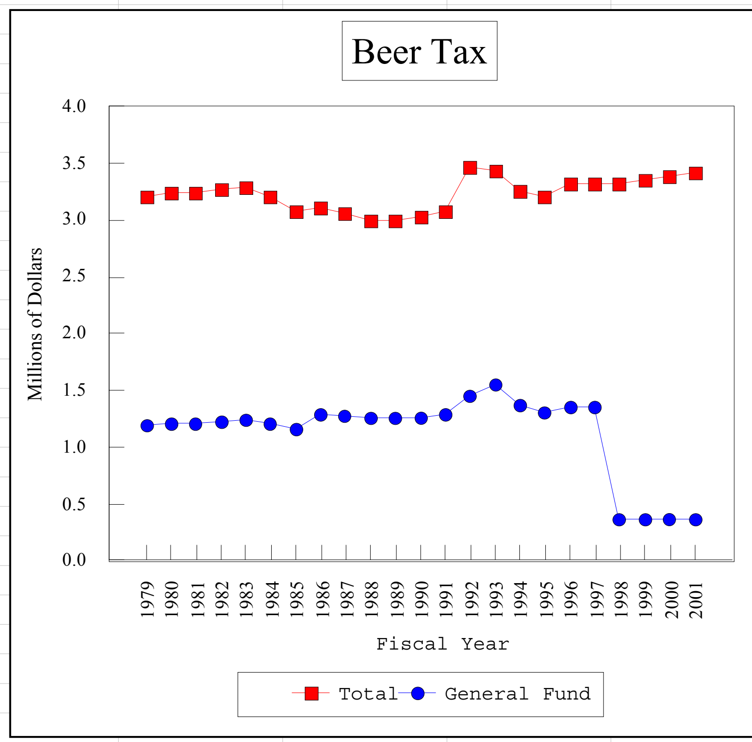
Summary of Legislative Action

The Fifty-sixth Legislature did not enact legislation that impacted this general fund revenue source.

Revenue Projection

The table and graphic below present the historical and projected revenue collections for the beer tax.

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1979	3.203812	1.201430	
A	1980	3.244011	1.216504	1.25%
A	1981	3.249022	1.218383	0.15%
A	1982	3.279701	1.229888	0.94%
A	1983	3.295482	1.235805	0.48%
A	1984	3.211297	1.204236	-2.55%
A	1985	3.083163	1.156186	-3.99%
A	1986	3.105743	1.287765	11.38%
A	1987	3.060956	1.281316	-0.50%
A	1988	2.997014	1.254564	-2.09%
A	1989	3.000273	1.255928	0.11%
A	1990	3.028992	1.267950	0.96%
A	1991	3.089077	1.293102	1.98%
A	1992	3.470874	1.452896	12.36%
A	1993	3.441481	1.545395	6.37%
A	1994	3.263345	1.375734	-10.98%
A	1995	3.215598	1.316559	-4.30%
A	1996	3.329868	1.356496	3.03%
A	1997	3.318449	1.356720	0.02%
A	1998	3.324479	0.358284	-73.59%
F	1999	3.356000	0.358000	-0.08%
F	2000	3.388000	0.362000	1.12%
F	2001	3.420000	0.366000	1.10%



The general fund statutory allocation is reduced by the amount of the tribal agreements.

VEHICLE TAX

Revenue Description

Effective January 1, 1998, light vehicles (including vans and sport utility vehicles) are taxed at 2.0 percent of the depreciated value of the manufacturer's suggested retail price (MSRP). In addition, buses, trucks, truck tractor's having a manufacturer's rated capacity of more than 1 ton, and certain trailers, will be taxed under a fee schedule which varies by age and weight.

Applicable Tax Rate(s)

The amount of tax due is based on 2.0 percent of the depreciated value on light vehicles and varies for other vehicles, as described above.

Distribution

Seven percent of these taxes is distributed to a state special revenue account primarily to fund district court expenses. The remaining 93.0 percent is distributed based on the prior fiscal year relative proportions of mill levies for state, county, school district, and municipal purposes. This revenue source represents one component used to calculate total non levy property tax revenue.

Summary of Legislative Action

SB 260 – Beginning January 1, 2000, the tax rate on light vehicles will drop from 2 percent of the depreciated vehicle value to 1.4 percent of the depreciated vehicle value, a 30 percent reduction. For tax years 2001 and beyond, the tax rate will be adjusted downward to prevent increases in statewide taxable value of motor vehicles from generating additional revenue statewide.

SB260 increases the local option motor vehicle tax from 0.5 percent to 0.7 percent beginning January 1, 2000. Counties with voter approval may increase the local option tax, and if all should do so, the additional revenue will amount to around $7 million per year, split between county and city governments.

SB260 alters the distribution of motor vehicle tax revenue. The share of motor vehicle tax revenue distributed to the districts courts was increased to 10 percent from 7 percent. The remaining revenue will no longer be distributed to the statewide 40 mill equalization levy or the university 6 mill levy. The share of the motor vehicle revenue formerly captured by these levies will be distributed to all remaining state and local levies. The two state levies (46 mills) represent approximately 12 percent of the average consolidated levy in the state. Thus, the revenue loss to the remaining levies will average 20 percent in a full fiscal year.

The state will reimburse motor vehicle revenue losses to the general fund of all school districts' to fiscal 1999 levels. The first payment of $2.2 million will take place in fiscal 2001.

HB 540 – At election in November of 2000, HB 540 submits to the qualified electors of Montana a proposal to switch from a tax based on the value of a light vehicle to a flat fee based on the age of the vehicle. Light vehicles are defined as all cars and trucks under one ton. Under HB 540, the registration fee on light vehicles that are 4 years old or less would be $195, five to ten years old would be $65, and 11 years or older would be $6. The proposal provides for a 24-month vehicle registration. Counties may continue to impose a local option tax of up to 0.5% of the value of the vehicle, or, with voter approval, impose a flat fee on top of the registration fee.

None of the registration fees would be distributed to the 95 mills for schools, 6 mills for the university system, or mill levies for public assistance programs in state-assumed counties. The school district general fund will be reimbursed up to the amount of motor vehicle fees deposited in the district general fund in FY 1999. HB 540 directs that the registration fee be deductible against state income taxes. The new registration fee would most likely not be deductible against federal income taxes.

VEHICLE TAX

The proposal will be on the ballot in November 2000. If approved by the electorate, the new fee structure will be effective on January 1, 2001.

Revenue Projection

The table and graphic below present the historical and projected revenue collections for the light vehicle tax.

	Fiscal Year	Total Collections Millions	GeneralFund Collections Millions	GF Percent Change
A	1979	0.000000	0.000000	
A	1980	0.000000	0.000000	NotApp.
A	1981	0.000000	0.000000	NotApp.
A	1982	0.000000	0.000000	NotApp.
A	1983	0.000000	0.000000	NotApp.
A	1984	0.000000	0.000000	NotApp.
A	1985	0.000000	0.000000	NotApp.
A	1986	4.524027	2.409577	NotApp.
A	1987	4.880792	2.608426	8.25%
A	1988	32.216414	2.255149	-13.54%
A	1989	35.306743	2.471472	9.59%
A	1990	38.024086	2.661686	7.70%
A	1991	39.102029	2.737142	2.83%
A	1992	46.095786	3.226705	17.89%
A	1993	46.976700	3.288369	1.91%
A	1994	52.908729	3.703611	12.63%
A	1995	62.029200	4.342044	17.24%
A	1996	68.641271	4.804889	10.66%
A	1997	75.330243	5.273117	9.74%
A	1998	78.210343	0.000000	-100.00%
F	1999	87.726000	0.000000	NotApp.
F	2000	67.003000	0.000000	NotApp.
F	2001	67.000000	0.000000	NotApp.